Practical Tips for Your
Charitable Gift Annuity Program

Northern California
Planned Giving Counsel

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Part I
CGA Basics

- What is a charitable gift annuity?

What it's not

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The Birds' CGA

- $100,000 gift (basis $10,000)
- Charitable deduction $26,168
- Annuity $4,200 (est. 24 years)
  - Tax-free $296
  - Capital Gain $2,600
  - Ordinary Income $1,200
- Total payout $104,580 (24 years)

CALIFORNIA DEPARTMENT OF INSURANCE

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Part II

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CGA Rates

- American Council on Gift Annuities
- http://www.acga-web.org/

Funky Questions
Interesting Situations

- Charitable Trust / Donor Intent

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- Funding Assets

Funky Questions
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- Terminating a CGA License

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TO: **CLIENTS AND FRIENDS**
FROM: **ERIK DRYBURGH**
RE: **CHARITABLE GIFT DISCLOSURE REQUIREMENTS**

As you most likely know, a lawsuit was filed in Texas which threatened the use of charitable gift annuities ("CGAs") as a valuable fundraising technique. The Texas lawsuit, *Richie v. American Council on Gift Annuities* (formerly *Ozee v. American Council on Gift Annuities*) alleged (among other things) that charities engage in illegal price fixing and violate federal anti-trust law by conspiring to offer low rates to annuitants (*i.e.*, the American Council on Gift Annuities' suggested rates). Further, the suit alleged that charities violate federal securities laws by improperly commingling CGA assets with other funds.

I enclose an article I wrote for the *Exempt Organizations Tax Review*, which was published in the May 1996 issue. As the article notes, P.L. No. 104-63, The Charitable Gift Annuity Antitrust Relief Act of 1995, and P.L. No. 104-62, The Philanthropy Protection Act of 1995, was enacted to address directly the issues raised in *Richie*. The article discusses these statutes and the beneficial impact they will have.

As noted in the article, The Philanthropy Protection Act of 1995 ("PPA") includes a disclosure requirement. This disclosure requirement applies to any pooled income fund, collective trust fund, collective investment fund, or similar fund which is maintained by a charitable organization for the collective investment of gifts made via pooled income funds, CGAs, charitable remainder trusts, charitable lead trusts, endowments, or other gift vehicles. A fund is "maintained" by a charity if the charity is the trustee/administrator, or has the power to remove the trustee/administrator. Each such fund must provide to its donors written information describing the material terms of the operation of the fund. Disclosure is required at the time of gift. According to people involved in the drafting of the legislation, this disclosure requirement is intended to be prospective only and does not require disclosure to existing donors.

I have enclosed two forms for your review: the first lists the information I believe should be disclosed to donors of charitable remainder trusts, charitable lead trusts, and pooled income funds; the second is a list of information for donors to CGAs. Please note that the enclosed are general guidelines only; the specific disclosures required for any given fund will depend upon the circumstances of that fund. Unfortunately, the PPA provisions regarding the required disclosures are quite brief, and it does not appear that the Securities and Exchange Commission will provide guidance on what should be disclosed.

The suggested disclosure list for a CGA is different in great part because the donor's payout is a fixed annuity and is not tied to the investment performance of the charity's funds. This fact has led at least one commentator to suggest that only minimal disclosure of the fund operation is required for CGA gifts. I recommend more extensive disclosure because: (i) the donor's gift is invested in at least one common fund (the reserve trust) and perhaps two (the reserve trust as to the required reserve and the charity's general funds or separate account as to the balance) and the PPA requires disclosure describing the material terms of the operation of such funds; (ii) the charity's ability to fulfill its annuity obligation depends in part on its general investment performance; and (iii) if the charity is unable to fulfill its annuity obligation, the donor will look to the reserve trust to be made whole. I thus believe that disclosure regarding both funds is prudent.

Note that what is required by the PPA is disclosure of the operation of the *fund*, which is not the same as the gift vehicle. The disclosure should thus address such issues as the assets of the fund, its investment objectives, and the other items listed on the enclosed forms. Nonetheless, disclosure regarding the *gift vehicle* is certainly recommended. For example, each donor should receive information regarding the terms of the gift vehicle (*e.g.*, for a charitable remainder trust ("CRT"), how the payout is determined, the fact that the payout can be made only from the CRT assets, the fact that the CRT is irrevocable, etc.). Additionally, you should ensure that the donor receives information regarding the donor's estimated charitable deduction, amount and taxation of the payments, and the estate and gift tax consequences.

I do not believe that it is necessary to obtain an acknowledgment from the donor that he or she received the disclosure statement, although that is certainly the conservative approach.

Please review the enclosed forms, collect the necessary information, and consider whether your particular situation may require additional disclosures. If you wish, you may send the necessary information to me and I will prepare draft disclosure statements for your review and use, or you may prepare draft statements yourself and send them to me for review.

The appropriate disclosure statement should be provided to a donor, along with the other information you generally provide to prospects, no later than the time the gift is completed.

I hope you will agree that preparing and distributing the disclosure statements is not too onerous a burden, and is a small price to pay for resolving the securities law questions that have long surrounded the planned giving field.

Exempt Organizations Tax Review
May 1996
CHARITABLE GIFT ANNUITIES
Good News – and a Word to the Wise

The December issue of this column discussed charitable gift annuities ("CGA") and a Texas lawsuit which threatens this valuable fundraising technique. For those of you who don't want to dig out your December EOTR, a CGA is a contract between the donor and the charity pursuant to which the donor transfers a sum of money (or other property) to the charity in exchange for the charity's commitment to pay an annuity over one or two lives (typically including the donor). The American Council on Gift Annuities (the "Council") publishes a chart, followed by most charities offering CGAs, which provides annuity rates based upon beneficiaries' ages. The Texas lawsuit, *Richie v. American Council on Gift Annuities* (formerly *Ozee v. American Council on Gift Annuities*) alleges (among other things) that charities engage in illegal price fixing and violate federal anti-trust law by conspiring to offer low rates (i.e., the Council's suggested rates). Further, the suit alleges that charities violate federal securities laws by improperly commingling CGA and other funds.

Charities and their supporters mounted a response, led in great part by the efforts of Charitable Accord, a Texas-based non-profit. On December 8, 1995, the President signed into law P.L. No. 104-63, The Charitable Gift Annuity Antitrust Relief Act of 1995, and P.L. No. 104-62, The Philanthropy Protection Act of 1995. These bills directly address the issues raised in *Richie*, but also impose requirements on charities that they may not be aware of.

<u>The CGA Antitrust Act</u>

The CGA Antitrust Act of 1995 is short and sweet. It provides that it shall not be unlawful under any of the federal antitrust laws for two or more charities described in IRC section 501(c)(3) to use, or agree to use, the same annuity rates for CGAs. The statute is effective retroactively. The Committee Report states that the Act "will provide a complete defense to the antitrust portions of *Richie*, as well as protection from future suits based on the use of agreed upon annuity rates." The Act also provides similar protection against state antitrust laws, with the proviso that a state may enact a statute within three years which expressly overrides application of the Act. I suspect that this latter provision was added more out of respect for states' rights than the expectation that states would actually impose antitrust-like laws on CGAs.

<u>The Philanthropy Protection Act</u>

Many charities and gift planners are unaware that the Securities and Exchange Commission has long considered many forms of planned gifts (not just CGAs) to be securities. In Release 33-6175 (issued in 1980), the SEC noted that a contributor to a pooled income fund could be making an investment which would trigger application of various securities laws. While those laws contain exemptions for issuers which are organized and operated for religious, charitable, or similar purposes, the exemptions also require that no part of the net earnings inure to the benefit of an individual. The Release concluded that the income interest retained by a pooled income fund donor renders the exemptions inapplicable, and a pooled income fund is thus a security. Nonetheless, the Release concluded that the staff would not recommend SEC action if: (i) the fund qualifies as a recipient of tax deductible contributions; (ii) donors are provided with written disclosures of the operation of the fund; and (iii) persons soliciting gifts are volunteers or employed in the charity's fundraising operation who receive no compensation based on the amount of gifts. The SEC subsequently issued no-action letters regarding gifts to other planned gift vehicles such as CGAs and CRTs.

The Philanthropy Protection Act of 1995 ("PPA") essentially codifies the SEC position. PPA adds an exemption to the Investment Company Act of 1940 for any pooled income fund, collective trust fund, collective investment fund, or similar fund which is maintained by a charitable organization for the collective investment of gifts made via pooled income funds, CGAs, CRTs, charitable lead trusts, endowments or certain other gift vehicles. To be exempt, the charity must "maintain" the fund, meaning it must be trustee/administrator, or have the power to remove the trustee/administrator. A conforming amendment was made to the Securities Act of 1933.

PPA also adds an exemption to the Securities Exchange Act of 1934 exempting a charity and its volunteers/employees from the definition of "brokers/dealers" if each person soliciting gifts is either a volunteer or engaged in the overall fund raising activities of the charity and receives no commission or special compensation based on the number or value of gifts. The Investment Advisors Act of 1940 is amended to generally exempt from registration "any investment advisor" that is a charity or a person acting on a charity's behalf from that Act's registration requirements.

PPA also includes a disclosure requirement. Via amendment to the Investment Company Act of 1940, each fund that is exempt from the definition of an investment company must provide to its donors written information describing the material terms of the operation of such fund. Disclosure is required at the time of gift (or March 7, 1996, if later - this provision is designed to give charities a chance to comply with the new rule.) According to people involved in the drafting of the legislation, this disclosure requirement is intended to be prospective only and not to require disclosure to existing donors.

Note that what is required is disclosure of the operation of the *fund*, which is not the same as the gift vehicle. The disclosure should thus address such issues as the assets of the fund, its investment objectives, the fact that the fund is not registered with the SEC, and the like. Unfortunately, it appears that the SEC will provide no guidance on what should be included. While information regarding the *gift vehicle* may be required by other laws and is certainly recommended, it does not appear to be part of PPA. It is also important to note that the disclosure requirement is not a prerequisite for exemption from the securities laws. A violation could thus trigger SEC action, but whether a violation could lead to private litigation is not clear.

Like the CGA Antitrust Act, PPA preempts state law (with a similar three-year override provision) and is retroactive. It also leaves intact the application of anti-fraud provisions to charitable gifts.

PPA has created questions as well as answering them. Commentators are debating, for example, the impact of the securities laws on the investment of gift vehicle funds which are not commingled (PPA addresses only the "collective investment" of funds). Is a single CRT, invested separately, not a security, or is it a security outside the scope of PPA - and if so, is it subject to the pre-PPA rule ala Release 33-6175?

Summary

Unfortunately, the plaintiffs in *Richie* have not yet "seen the light" and are continuing in their efforts. Hopefully, the unanimous action of Congress and the President will be respected and the suit will be dismissed promptly. To be sure, everyone involved in the passage of the CGA Antitrust Act and PPA deserves our thanks.

DISCLOSURE REGARDING INVESTMENT OF GIFT FUNDS
[FOR CRTs, CLTs and PIFs]

1. Introduction. A sample introduction is as follows: "The funds of your trust gift will be invested together with other trusts, endowments, and other funds which we maintain. Our investment fund is exempt from registration under federal securities laws, pursuant to an exemption for collective investment funds maintained by charitable organizations. This statement is intended to disclosure the material terms of the operation of our fund."

2. Description of the fund. Describe the organization of the fund – *i.e.*, whether it is a trust, or a pooled fund. Provide the total asset value.

3. Names and addresses. State the name and address of the charity maintaining the fund. If the fund is a separate trust, state the name of the trustee, or if the fund is a general investment pool of the charity, state so. State the name and address of the entity having custody of the fund assets, and of any outside investment advisors. If a committee within the charity directs or supervises investments, state the name of the committee.

4. Investment objectives. Describe the investment objectives of the fund and any component portfolios, and whether they are subject to change. Consider providing, or summarizing, the investment policy. Include a general list of the types of securities held in the fund, and a summary of the "asset allocation" between the various classes of securities.

5. Contributions/withdrawals. Include a short description of how new assets are added to the fund, how withdrawals are made, and whether income and/or capital gains are distributed to the fund participant (*e.g.*, the CRT) or retained.

6. Fees. Include a description of the fees charged to the fund, by whom and for what services, and how those fees are allocated between income and principal and among the fund participants.

7. Reports. Provide a description of the reports that will be provided by the fund to the fund participants.

8. Other items. Describe any other "material terms of the operation of such fund".

9. Conclusion. A short statement advising the donor to review the risks and other aspects involved in having his or her gift invested in the fund with the donor's attorney.

DISCLOSURE REGARDING INVESTMENT OF GIFT FUNDS
[FOR CGAs]

1. Introduction. A sample introduction is as follows: "The funds of your gift annuity will be invested together with other gift annuities which we maintain. As required by the California Department of Insurance, a specified portion of your gift will be invested in a reserve trust for the purpose of ensuring a source of assets to support your annuity. The balance of your gift will also be invested in this trust [or may be added to a separate fund]. The reserve trust [and the separate fund] is exempt from registration under federal securities laws, pursuant to an exemption for collective investment funds maintained by charitable organizations. This statement is intended to disclose the material terms of the operation of this fund."

2. Reserve Trust.

A. Description of the trust. Provide the name and address of the trustee. State the name and address of the entity having custody of the fund assets, and of any outside investment advisors. If a committee within the charity directs or supervises investments, state the name of the committee.

B. Investments. Note that the possible investments of the reserve portion of the trust are limited by California law to primarily fixed-income securities such as US Treasury obligations. If applicable, note that the trust may invest up to 50% of the reserve portion in publicly-traded stocks. Consider including a general list of the types of securities held in this fund and the general distribution of fund assets by type. Note very briefly how the surplus portion of the reserve trust is invested (i.e., the allocation between stocks, bonds, and cash). Provide the total asset value.

C. Fees. Provide a description of the fees charged to the trust, by whom and for what services.

3. Annuity Obligation. Note that gift annuities are general obligations of the charity, and are thus backed by the all the assets of the charity in addition to the reserve trust.

4. Other items. Describe any other "material terms of the operation of such fund".

5. Conclusion. A short statement advising the donor to review the risks and other aspects involved in having his or her gift invested in the fund with the donor's attorney.

Is That a Charitable Gift Annuity or a Security?

By Brigit Kavanagh on February 12, 2013

Posted in Charitable Gift Planning, Public Charities

Some people are bound and determined to find a way to make a buck (or a million) by selling investment products they market as charitable gift annuities and taking enormous commissions from the sales. Back in 2006, charitable gift annuities were at the top of the Security and Exchange Commission's list of Most Common Older Investor Scams.

But that didn't stop We The People, Inc., of the United States, a Florida-based charity exempt under Section 501(c)(3) of the Internal Revenue Code, from getting caught up in what the SEC believes is a fraudulent charitable gift annuity scam. Last week, the SEC filed complaints in federal court against We The People, William G. Reeves (a director and employee of We The People), and Richard and Susan Olive (employees of We The People and alleged promoters of the so-called charitable gift annuities).

The SEC asserts that the Olives "hijacked" the previously dormant charity and fraudulently marketed and sold investment contracts that they called charitable gift annuities.

According to the complaints, between 2008 and 2012, We The People raised $75 million from approximately 400 donors in 30 states, almost all of whom were elderly, and paid the Olives over $1 million in commissions and salaries.

What is interesting here is that the SEC is going after not just the individuals it claims promoted fraudulent charitable gift annuities. The SEC is *also* pursuing the charity and an individual director of the charity. The SEC wants the Olives to "disgorge all ill-gotten gains" and pay civil penalties, the charity to "disgorge all illegal gains," and the individual director to pay a civil penalty.

So why were these considered securities in the first place?

Absent an exception, by law, any pooled income fund, collective trust fund, collective investment fund, or similar fund (including a gift annuity pool) is a security subject to registration with and regulation by the SEC. The Philanthropy Protection Act of 1995 created an exemption for charities as long as they satisfy certain requirements, including providing a disclosure statement to donors. The Act also includes a prohibition on paying commissions or other special compensation linked to the number or value of gifts obtained. We The People's program may have failed to fit into this exception, as the SEC asserts that the disclosures were false and misleading, and that commissions were paid to various promoters.

What should you do?

Of course, don't lie to or mislead your donors!

Review the practices of your charitable gift annuity program:

- Is it in accord with applicable state laws?
- Is it exempt from registration as a security?
- Does the disclosure statement give donors enough information so that they can make informed decisions about whether to obtain a charitable gift annuity?

Tags: CGA, charitable gift annuity, elder scams, Philanthropy Protection Act, pooled investment fund, Richard Olive, SEC, Susan Olive, We The People

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RESTRICTIONS ON INVESTMENT OF CALIFORNIA GIFT ANNUITY RESERVE ASSETS

INSURANCE CODE
SECTION 11521.2

11521.2. Investment of reserve required for annuity contracts; exceptions.

(a) The reserve required by the table of commensurate values for each annuity contract issued must be invested in investments specified in Sections 1170 through 1182 except that a certificate holder may invest in investment companies registered under the federal Investment Company Act of 1940, and in securities, including interests in those investment companies, listed and traded on the New York Stock Exchange, the American Stock Exchange or regional stock exchanges or the National Market System of the Nasdaq Stock Market or successors to such exchanges or market having the same qualifications, to the extent of the lesser of net worth (assets over liabilities and reserves) of the certificate holder or 50 percent of these general investments. This section does not permit investment in options or commodity exchanges.

(b) The certificate holder may invest in such other investments as permitted by and subject to the written consent of the commissioner.

INSURANCE CODE
SECTIONS 1170-1182

1170. Investment requirements. Domestic incorporated insurers may invest their assets in the purchase of any of the securities specified in this article, or in loans upon such securities, if such purchase or loan conforms to all the following conditions:

(a) Such securities are not in default as to principal or interest at the date of investment.

(b) In the case of a purchase, the purchase price does not exceed the market value of the securities at the date of investment.

(c) In the case of a loan not governed by the provisions of section 1176, the amount loaned does not exceed eighty-five per cent of such market value at the date of investment.

1171. Federal obligations. Such insurers may invest in obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest.

1171.5. United States Postal Service. Such insurers may invest in obligations of the United States Postal Service.

1172. Canadian or Puerto Rican obligations. Such insurers may invest in obligations of the Dominion of Canada, or the Commonwealth of Puerto Rico, or of any province of the Dominion of Canada, or of any political subdivision of the Commonwealth of Puerto Rico, or obligations for which are pledged the faith and credit either of the dominion, or the commonwealth, or of any province of the dominion, or of any political subdivision of the commonwealth, for the payment of principal and interest, if within 10 years immediately preceding the investment such province or such political subdivision was not in default for more than 90 days in the payment of principal or interest upon any legally authorized obligation issued by it.

1173. County, municipal, and school district bonds. Such insurers may invest in obligations issued under authority of law by any county, municipality, or school district in this State or in any other state, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, if the obligor has not within two years next preceding the investment defaulted for more than 90 days in the payment of any part of either principal or interest upon any legally authorized obligation issued by it, and the obligations of the state or province or political subdivision in which it is located are legal for investment under the provisions of Sections 1172 or 1174.

1174. State Bonds. Such insurers may invest in obligations of this State or those for which the faith and credit of this State are pledged for the payment of principal and interest, and in obligations of any other State in the United States, if within ten years immediately preceding the investment such State was not in default for more than ninety days in the payment of any part of principal or interest of any debt duly authorized by the Legislature of such State to be contracted by such State since the first day of January, 1878.

1175. Road division bonds. Such insurers may invest in bonds of any permanent road division in this state, or any district organized under the laws of this state, when such bonds are legal investments for savings banks of this state, or have been certified as legal investments for savings banks pursuant to Division 10 (commencing with Section 20000) of the Water Code, or when the statutes or laws providing for the issuance of such bonds provide that such bonds shall be entitled to the same force or value or use as bonds issued by any municipality, or such law specifically states that such bonds shall be legal investments for either savings banks, insurance companies, all trust funds, state school funds or any funds which may be invested in bonds of cities, counties, cities and counties, school districts, or municipalities in the state, or when such bonds have been investigated and approved by a commission or board now or hereafter authorized by law to conduct such investigation and give such approval when such law specifies that upon that approval the bonds are legal investments for insurers, or which the commissioner approves in writing as legal for investment of the funds of insurers. The commissioner in determining whether to approve any bonds as legal investments which do not otherwise qualify as such pursuant to any part of this code, shall, at the expense of any insurer requesting approval, make an adequate independent investigation of such bonds and the security therefor. A copy of the data secured in such investigation and the resulting opinion of the commissioner shall be furnished to the insurer.

1175.5. County water district bonds. Such insurers may invest in bonds of any county water district operating under Division 12 of the Water Code.

1176.5. Veterans' loans. Such insurers may make, invest in or purchase loans which are guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof.

1176.6. Applicability of restrictions to veterans' loans. None of the provisions of the Insurance Code limiting or restricting loans by insurers or prescribing the security therefor shall apply to any loans which are fully guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof; and in any case in which payment of a portion of any loan is guaranteed by the United States or any agency thereof pursuant to the provisions of the "Servicemen's Readjustment Act of 1944" or any act of Congress supplementary or amendatory thereof, the guaranteed portion of such loan shall not be deemed a part of said loan for the purposes of any provision of the Insurance Code limiting the amount which may be loaned by an insurer upon the security of real property or improvements thereon shall be applicable to such loan.

1177. Insured mortgages. Such insurers may invest in notes or bonds secured by mortgage guaranteed as to payment by a policy of mortgage insurance, and mortgage participation certificates issued by a mortgage insurer in accordance with the provisions of this code.

1178. Collateral trust bonds and notes. Such insurers may invest in collateral trust bonds or notes, secured by any of the following:

> (a) A deposit of obligations authorized for investment by this article or Articles 4, 5, or 6 of this chapter having a market value at least fifteen per cent in excess of the par value of the collateral trust bonds or notes issued.
>
> (b) A deposit of obligations authorized for investment by this article or Articles 4, 5, or 6 of this chapter, together with other securities, the combined market value of the deposit being at least twenty per cent in excess of the par value of the collateral trust bonds or notes issued, with the par value of the collateral trust bonds or notes not exceeding the market value of the deposited obligations which are authorized for investment by this article or Articles 4, 5, or 6 of this chapter.
>
> (c) A deposit of obligations authorized for investment by this article, or Articles 4, 5, or 6 of this chapter, together with other securities, and conforming to the following requirements:

(1) The combined market value of the deposit is at least thirty per cent in excess of the par value of the collateral trust bonds or notes issued.

(2) The par value of such collateral trust bonds or notes issued does not exceed the market value of deposited obligations authorized for investment by this article.

(3) The deposited collateral consists of obligations authorized for investment by this article, or Articles 4, 5, or 6 of this chapter, having a market value of at least seventy-five per cent of the par value of such collateral trust bonds or notes issued.

1179. <u>Farm loan bonds</u>. Such insurers may invest in farm loan bonds, consolidated farm loan bonds, collateral trust debentures, consolidated debentures, or other obligations issued under the Federal Farm Loan Act, approved July 17, 1916, as amended (Title 12 U.S.C. Sections 636 to 1012 inclusive, and Sections 1021 to 1129 inclusive), and the Farm Credit Act of 1933, as amended (Title 12 U.S.C. Sections 1131 to 1138f inclusive), and the Farm Credit Act of 1971 (Title 12 U.S.C. Sections 2001 to 2259 inclusive). Under this section such insurers may invest in farm loan bonds and consolidated farm loan bonds issued by federal land banks, consolidated collateral trust debentures and all other debentures issued by federal intermediate credit banks, debentures issued by the Central Bank for Cooperatives and consolidated debentures issued by banks for cooperatives.

1180. <u>Home loan securities</u>. Such insurers may invest in bonds issued under the "Home Owners' Loan Act of 1933"; bonds, debentures and notes issued by any federal home loan bank, or consolidated federal home loan bank notes, bonds and debentures issued by the Federal Home Loan Bank Board in accordance with the provisions of the Federal Home Loan Bank Act, and mortgage, mortgage participation, pass-through or trust certificates, or obligations or other securities issued or guaranteed by the Federal Home Loan Mortgage Corporation, pursuant to Section 305 or Section 306 of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. Secs. 1454, 1455), by the Government National Mortgage Association, pursuant to Section 306 or Section 313 or Title III of the National Housing Act (12 U.S.C. Secs. 1721, 1723(e)), or by the Federal National Mortgage Association pursuant to 12 U.S.C. Sections 1717-1719.

1181. <u>State warrants</u>. Such insurers may also invest in registered warrants of this State, issued pursuant to law.

1182. <u>Accounts in insured banks or savings and loan associations</u>. Domestic incorporated insurers may invest in an account or accounts in one or more banks or savings and loan associations to the extent the account or accounts are insured by an agency or instrumentality of the federal government. As used in this section, an account may include a certificate of deposit.