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Kennedy's panel hears accounts of 'redlining' by home insurance firms

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STATES NEWS SERVICE

WASHINGTON – Insurers across the nation routinely deny coverage to residents of low-income and minority neighborhoods, witnesses testified yesterday during a congressional hearing called by Rep. Joseph Kennedy to investigate insurance industry "redlining."

California Insurance Commissioner John Garamendi told lawmakers that he recently opened an investigation into redlining in San Francisco. A New York man with 40 years of experience in the industry told of maps he saw outlining districts that were off-limits to policy writers.

"I was told by a company auto underwriter that they do not write blacks or Hispanics," said Michael Carbajal Jr. of Brooklyn, N.Y., who has worked as a broker and analyst. "Other companies solve the problem by not appointing agents in troubled areas," he said.

Kennedy (D-Cambridge) called the hearing of the House Banking, Finance and Urban Affairs subcommittee in response to a study of discrimination by insurance companies released Feb. 4 by the Association of Community Organizatons for Reform Now (ACORN). The study of 14 cities found widespread discrimination by insurers and overcharging of minorities.

David M. Farmer, vice president of the Alliance of American Insurers, criticized the ACORN report and denied that redlining exists.

Kennedy, however, disagreed.

"The evidence presented to this subcommittee clearly suggests a pattern of massive, nationwide discrimination against low-income and minority Americans exists," Kennedy said. "When it comes to getting decent insurance, Nationwide may not be on your side; you could be in no hands with Allstate; and unlike a good neighbor, State Farm might be nowhere," he said.

California is investigating charges that an insurance company routinely denied coverage to residents of low-income and minority neighborhoods in San Francisco, Garamendi told lawmakers yesterday. He showed a map which he said was provided by a broker for a "mid-sized" insurance company. He refused to name the broker or the company, nor would he say what stage the investigation has reached.