THE ACORN REPORT

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ACORN documents insurance redlining

On February 5, ACORN released the results of a three-month study showing that the insurance industry systematically discriminates against poor and minority homeowners. The study on the availability, quality and cost of residential insurance is the first of its kind, combining a statistical analysis by zip code of five cities with the results of extensive testing in thirteen.

The statistical analysis was possible only within the few states currently requiring disclosure similar to that required of banks under the Home Mortgage Disclosure Act (HMDA). Looking at St. Louis and Kansas City, (MO), Milwaukee, Chicago and Minneapolis-St. Paul, the study found that residents of low-income and minority neighborhoods were far more likely to be uninsured than residents of upper-income and white neighborhoods.

In Chicago, for example, only 51.1% of homes in low-income neighborhoods and 57.6% in minority neighborhoods were insured compared with 90 percent coverage in high income and 87.7% coverage in white areas.

In 13 cities, testers attempted to obtain insurance from a variety of insurance agents for properties in different neighborhoods. Test callers from low-income neighborhoods were refused a quote on a policy 38% of the time compared to 7% of the time for callers from high-income areas.

The study also found that insurance policies written in low-income and minority neighborhoods tend to be of substandard quality and more expensive. Policy holders in low-income neighborhoods may pay as much as 2.5 times more for insurance relative to their level of coverage as policy holders in upper-income neighborhoods.

Other cities included in the study are Bridgeport, Dallas, Des Moines, Little Rock, New Orleans, New York, Detroit, Seattle and Washington, DC.

For information, contact Matthew Behrent, 202-547-2500.

Campaign targets Allstate

Congressional hearings scheduled

With the insurance redlining study in hand, ACORN members launched a campaign aimed at the insurance industry directly and at Congress.

Responding to the study results, Representatives Cardiss Collins (D-IL) and Joe Kennedy (D-MA) scheduled hearings in the House Sub-committees they chair.

ACORN will propose legislation requiring disclosure of policies written, canceled, non-renewed, and refused by census tract, race, and income. This would be similar to the Home Mortgage Disclosure Act that applies to banks.

In addition, ACORN wants a law establishing Community Support Evaluations by which state insurance commissioners could assess the degree to which companies are making insurance accessible to and investing capital in low-income areas.

Just as under the Community Reinvestment Act banks can be denied authorization to conduct certain activities when regulators determine that they are not serving low income areas, state commissioners would be authorized to deny rate increases, demand corrective action and revoke licenses to operate.

Going after the insurers

For the opening salvo on the industry, 600 ACORN members stormed the American Insurance Association in Washington, D.C. on February 8. Two hundred made it to the tenth floor offices where they presented AIA officials with a "Putting People Last" award for engaging in redlining.

ACORN is demanding that all companies stop redlining and start reinvesting. From the test calls made as part of the study Allstate proved to be one of the worst violators. While it claims to be the biggest insurer in urban America, nearly all of Allstate's sales offices are in the suburbs.

So, from the AIA headquarters, ACORN members marched to a nearby Allstate office demanding a meeting with the company's top officials and ACORN's national leadership.

Later that evening, ACORN President Maude Hurd spoke with Allstate headquarters in Illinois and received a commitment to begin national negotiations on February 27.

Lowering costs and risks

In preparation for the meeting with Allstate, ACORN is developing a proposal for a discount homeowners policy tied to an ACORN Neighborhood and Home Safety Program. In return for lower rates, ACORN would implement programs to reduce the claims risk in our neighborhoods. These would include neighborhood watches, efforts to increase police and fire protection, and community meetings about fire and crime prevention.

By requiring the company to notify ACORN of claims on these policies, we expect to be able to show over time what our bank lending programs have shown: that doing business in low-income neighborhoods is not only the right thing to do, it's profitable.

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