

**THE CENTER FOR ECONOMIC JUSTICE**

**Worst Redliners Identified:  
Department of Insurance  
Fails to Act**

May, 1997

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# THE CENTER FOR ECONOMIC JUSTICE

## Executive Summary

**Nationwide** is not on your side--if you live on the wrong side of town. Neither is **USAA, Farm Bureau, State Farm** or **Safeco**. Analysis of individual company market data supplied by the Texas Department of Insurance shows these companies are among the state's worst redliners.

Yet, despite the clear evidence of redlining from the Department's own data, the **Texas Department of Insurance (TDI)** has done little to address the problem.

This analysis complements the Center for Economic Justice's recent study of urban drivers placed in sub-standard companies (usually county mutual companies) or assigned to the Texas Auto Insurance Plan Association (TAIPA), which showed that drivers in poor and minority communities were disproportionately rejected by standard (lower priced) insurers.

Now, CEJ examines the market share in Anglo and non-Anglo areas of the largest auto insurers in Texas. The study shows that five of those insurers--Nationwide, USAA, Farm Bureau, State Farm and Safeco--have a substantially smaller market share of *insured* drivers in minority communities than they do in Anglo communities.

Although the **Texas Department of Insurance** provided the data that establishes these companies as among the state's worst redliners, the Department itself has done little to address unfair discrimination in the sale of auto insurance in Texas.

**The Center for Economic Justice recommends the Commissioner:**

- exercise his regulatory responsibility and **immediately investigate the underwriting, marketing and sales practices of Nationwide, USAA, Farm Bureau, State Farm and Safeco;**
- **agressively investigate redlining and unfair discrimination** by using "testers";
- take **prompt and decisive action to stop illegal and unfair discrimination** by insurers;
- **follow-up on the Houston redlining task force;** and
- **bar the use of credit history, prior insurance carrier, employment and residential stability and occupation as underwriting guidelines.**

## Findings

Analysis of individual company market data supplied by the Texas Department of Insurance shows that **Nationwide, USAA, Farm Bureau, State Farm and Safeco** are among the state's worst redliners. Yet, despite the clear evidence of redlining from the Department's own data, the **Texas Department of Insurance (TDI) has done little to address the problem.**

CEJ examines the market share in Anglo and non-Anglo areas of the largest auto insurers in Texas. The study shows that five of those insurers --Nationwide, USAA, Farm Bureau, State Farm and Safeco-- have a substantially smaller market share of *insured* drivers in minority communities that they do in Anglo communities.

**USAA** writes far more than its statewide average in predominantly Anglo areas. The results are particularly striking in San Antonio where the company writes more than 25% of the insured vehicles in Anglo areas but less than 5% in minority areas.

The **Farm Bureau's** statewide results may be partially explained by their large rural market, where the non-Anglo population is lower. However, this company also controls a substantial urban market, and **in urban areas Farm Bureau's market share also drops dramatically in minority zip codes.**

**Nationwide's** homeowners insurance sales practices have been the subject of consumer complaints and federal redlining investigations for years. **In predominantly Anglo areas of the state's largest cities Nationwide controls 3 to 6% of the market. In minority areas it covers less than 1.5% of the insured vehicles.**

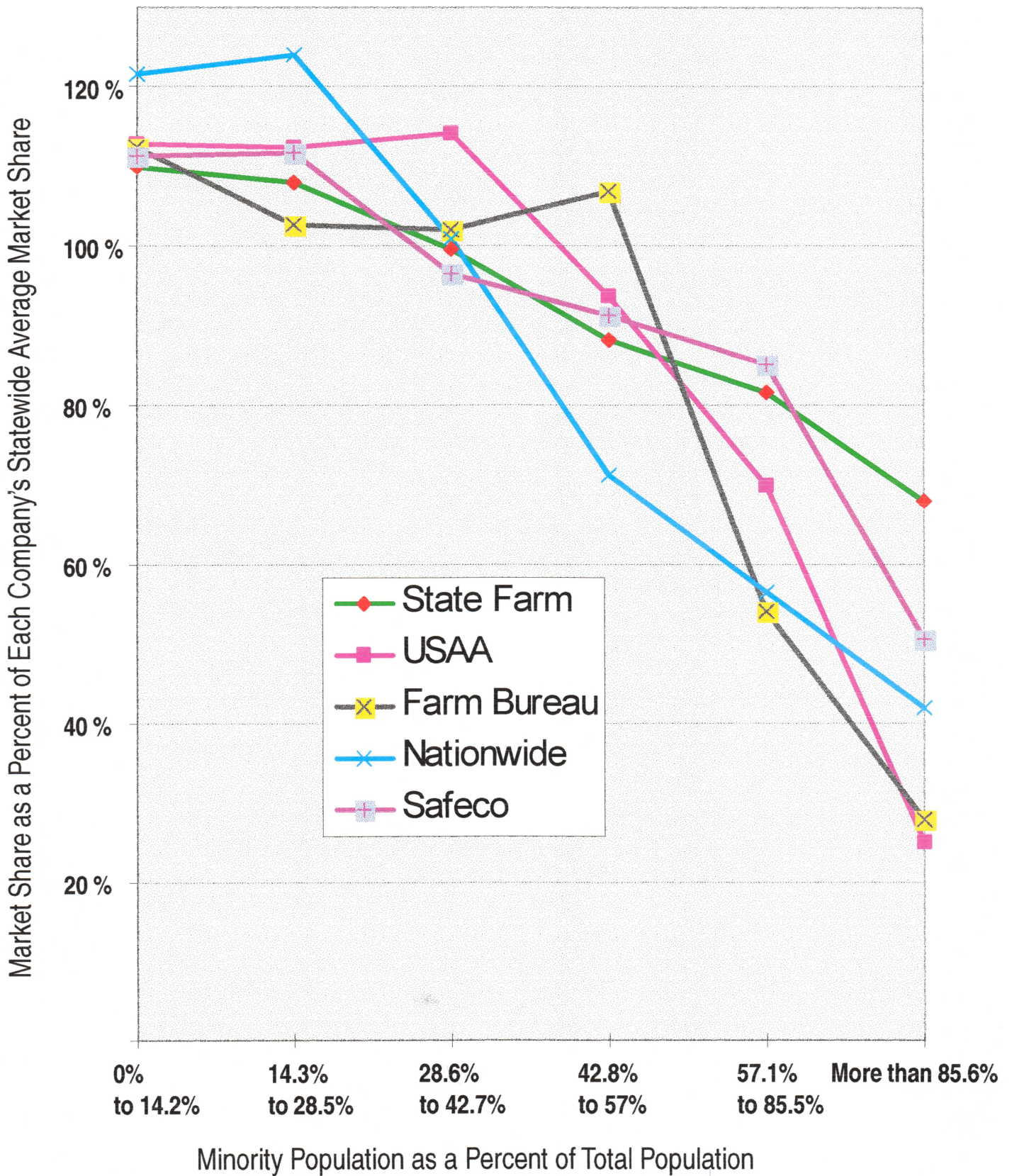
**State Farm and Safeco also show significant marketshare declines in minority areas.** On a statewide basis, State Farm's market share drops from 31% in Anglo areas to only 19% in non-Anglo areas. Safeco, with a far smaller share of the market as a whole, also drops to about half its Anglo area market strength in non-Anglo areas.

The significant reduction in market share in minority neighborhoods for these five insurers contrasts with that of Geico. **Geico's market share is as great or greater in minority communities as in Anglo areas.**

**Farmers'** market share in high-minority communities is less than its market share in low-minority communities, but to a lesser extent than Nationwide, USAA, Farm Bureau, State Farm and Safeco. While **Allstate** shows strong standard market presence in minority communities, the company places more consumers in these areas in its higher-priced county mutual company. Statewide, Allstate markets and writes far more high-cost, non-standard insurance in high minority ZIP Codes than in low-minority ZIP Codes.

# Auto Insurance Redlining in Texas:

Minority Communities Do Not Have Equal Opportunity to Purchase Affordable Insurance





## Recommendations

**CEJ recommends the Department exercise its regulatory responsibility and immediately investigate the underwriting, marketing and sales practices of Nationwide, USAA, Farm Bureau, State Farm and Safeco.** It should then take swift and decisive action to end the practices that result in redlining. The state requires all drivers to carry auto insurance, so it has a duty to protect consumers from unfair discrimination by insurers.

Second, the Department should more aggressively **investigate redlining and unfair discrimination by using "testers."** In testing, paired "shoppers" of insurance are matched on all characteristics except their race or the racial composition of their neighborhood. Consumer advocates and regulators throughout the country have successfully used testers to identify and ultimately reduce insurance redlining.

Third, the Department should take **prompt and decisive action to stop illegal and unfair discrimination** by insurers. In September 1996, CEJ identified a new and illegal underwriting guideline by one of Texas' largest auto insurers. This illegal guideline made it more difficult for low income consumers to comply with financial responsibility laws. The Department agreed that the guideline is illegal, but took months to even begin an investigation and to date has not issued a cease and desist order or initiated disciplinary action.

Fourth, the Department should **follow-up on the Houston redlining task force** created in 1994. That task force included the Department, insurers, and community leaders who all agreed that there is an availability problem and worked together to solve the problem. Although several insurers made commitments to increase their writings or take other steps in those underserved areas, the Department has done nothing to ensure that insurers have kept those promises.

Fifth, the Department should **pass rules to prohibit unfair underwriting guidelines that are not risk-related.** Underwriting guidelines are the rules used by insurers to determine if they will offer coverage to a consumer, and if so, at what price. Although the Department has the authority to prohibit the use of unfair underwriting guidelines, it has failed to do so. Consumers Union, for instance, petitioned the Department to adopt rules in July of 1996, one of which would prohibit the blacklisting underwriting guideline described below. Although state law required the Department to act on the petition within 60 days, the Department has failed to take any action on it.

The Commissioner should bar the use of the following underwriting guidelines:

**Credit History**--Many insurance companies subscribe to the credit history scoring service of Fair, Isaac. The Fair Isaac product takes information in a consumer's credit report and creates a score--the higher the score the more attractive the risk to insurers. Fair, Isaac refuses to show regulators the inner workings of its credit scoring model, which may penalize lower income consumers.

**Prior Insurance Carrier/Blacklisting**--Companies have used underwriting guidelines which deny coverage to consumers who have already been turned down by other insurers or covered by non-standard companies (like County Mutuals). Consumers who are already the victims of redlining continue to face discrimination because insurance companies rely upon actions of other insurers instead of making their own independent business decisions. This underwriting practice is profoundly anti-competitive.

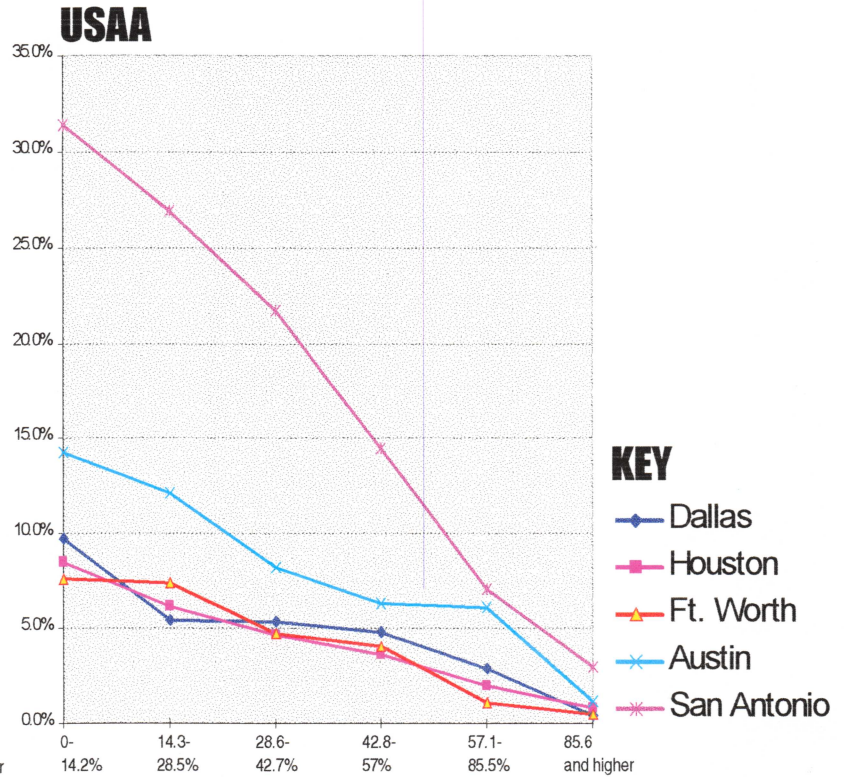
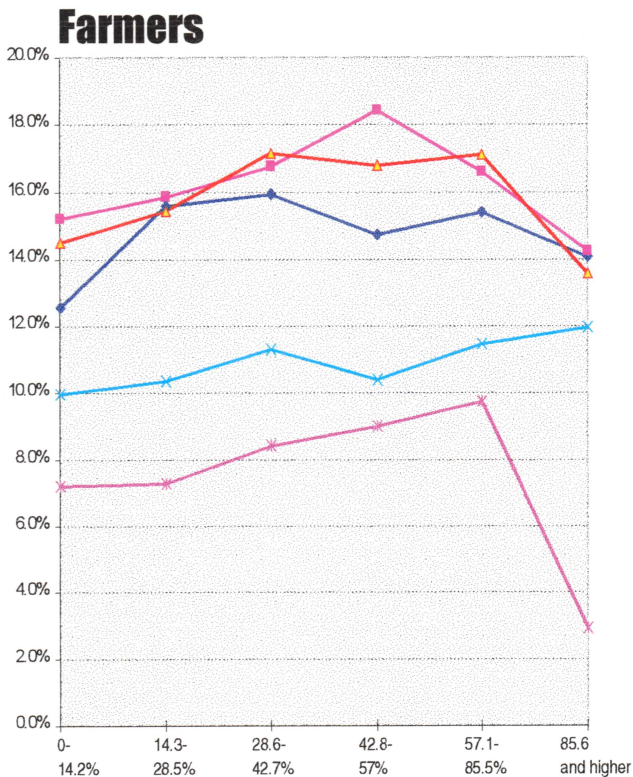
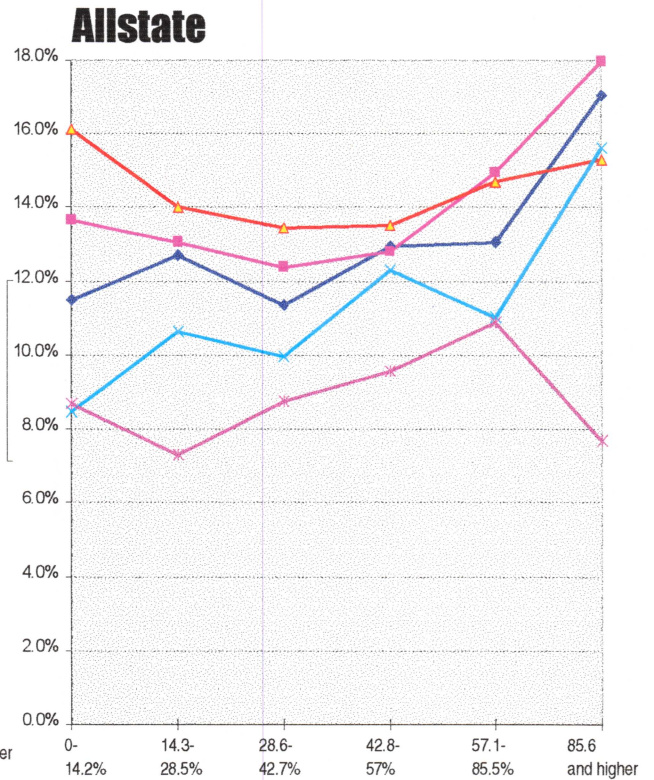
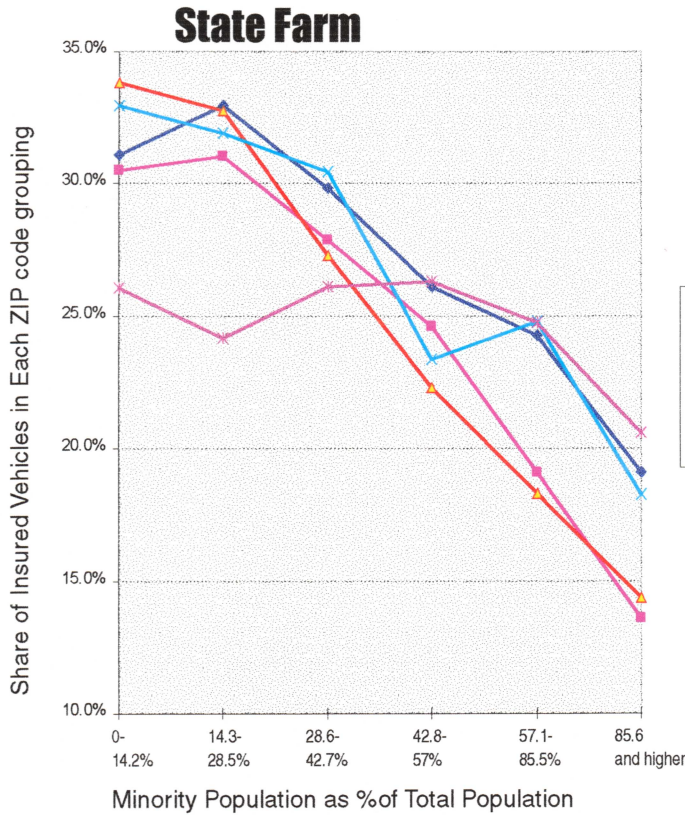
**Employment and Residential Stability**--Underwriting guidelines which deny auto insurance to people who have recently changed jobs, been unemployed, moved or do not own their own home also punish poor and minority communities where employment is scarce. These guidelines also have an unfair impact on people who rent.

**Occupation**--Some insurers deny coverage to consumers in low-wage jobs. For instance, they insure attorneys but refuse to insure clerical workers. Occupation related guidelines have a disproportionate impact on poor and minority communities.

The Commissioner has ample authority to investigate and halt illegal redlining and eliminate underwriting and marketing practices that disproportionately effect minority areas. Auto insurance should be equally available to every good driver and available at the same affordable rates.

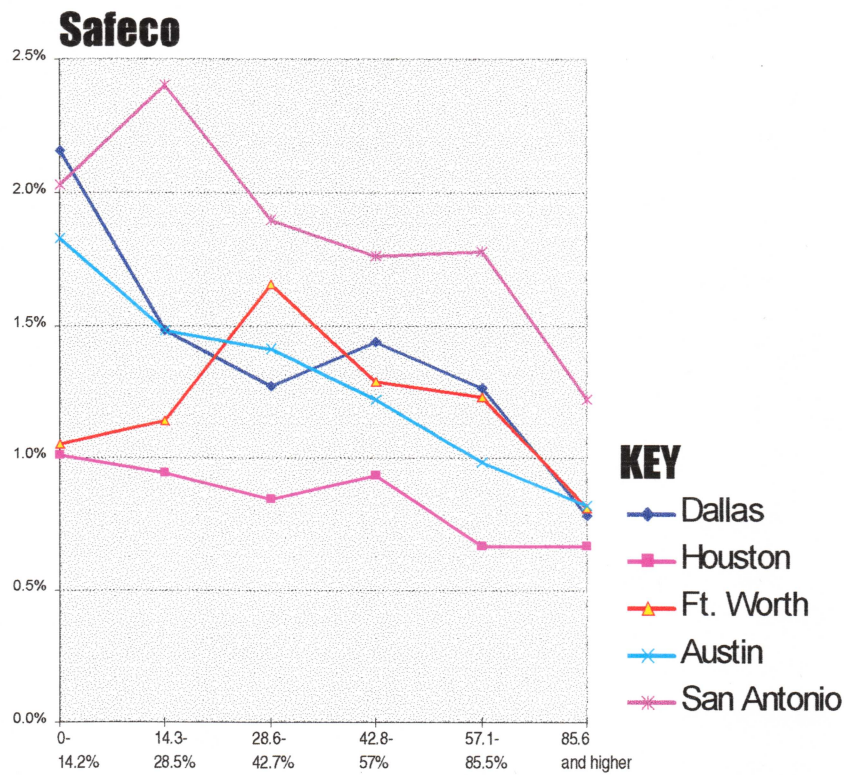
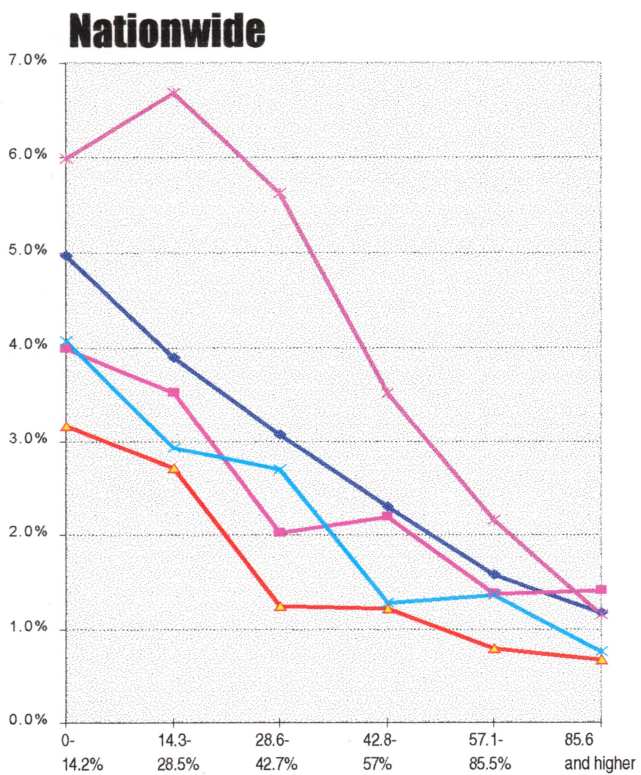
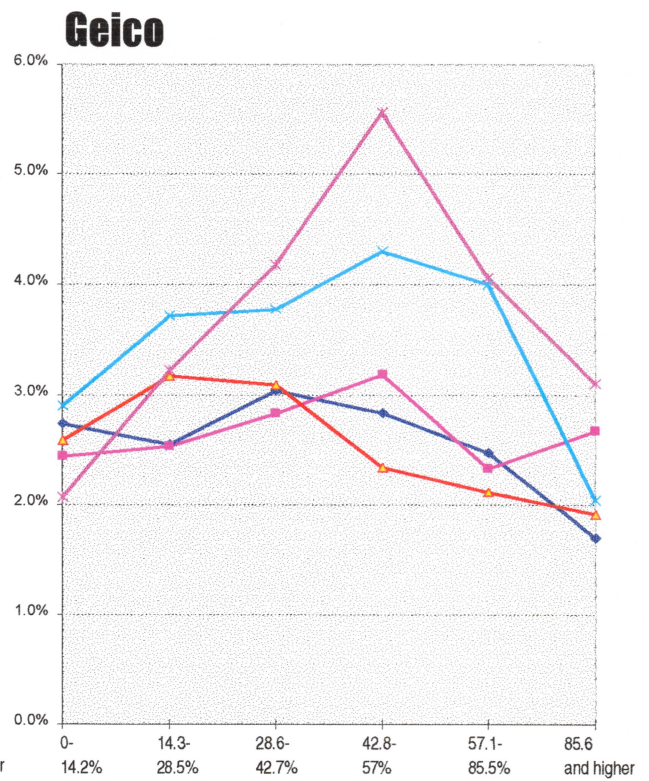
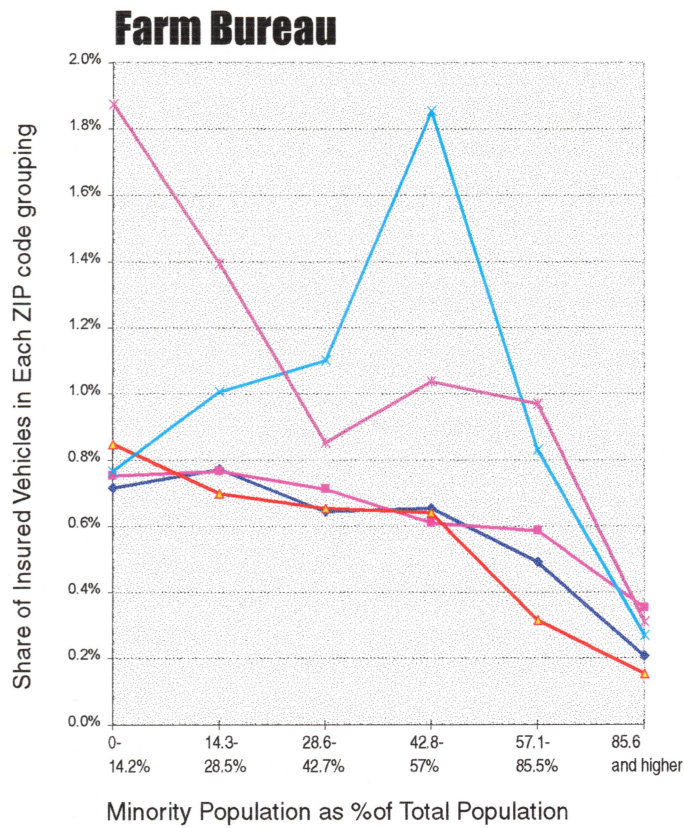
# **Individual Company Results**

# For Many Top Insurers, Marketshare Drops in Minority Areas



- KEY**
- ◆ Dallas
  - Houston
  - ▲ Ft. Worth
  - × Austin
  - ✱ San Antonio





**KEY**

- ◆ Dallas
- Houston
- ▲ Ft. Worth
- ✕ Austin
- ✱ San Antonio

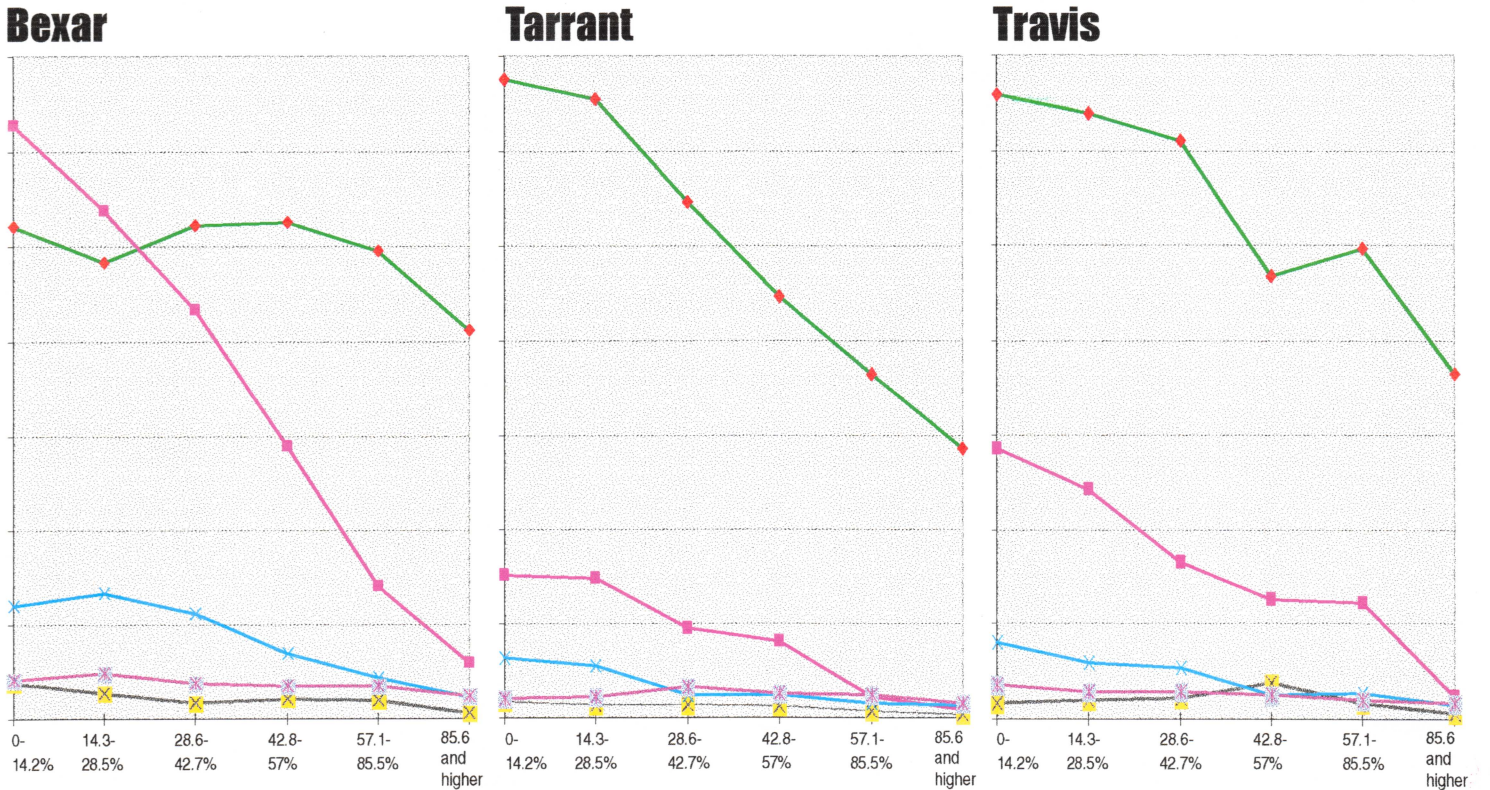
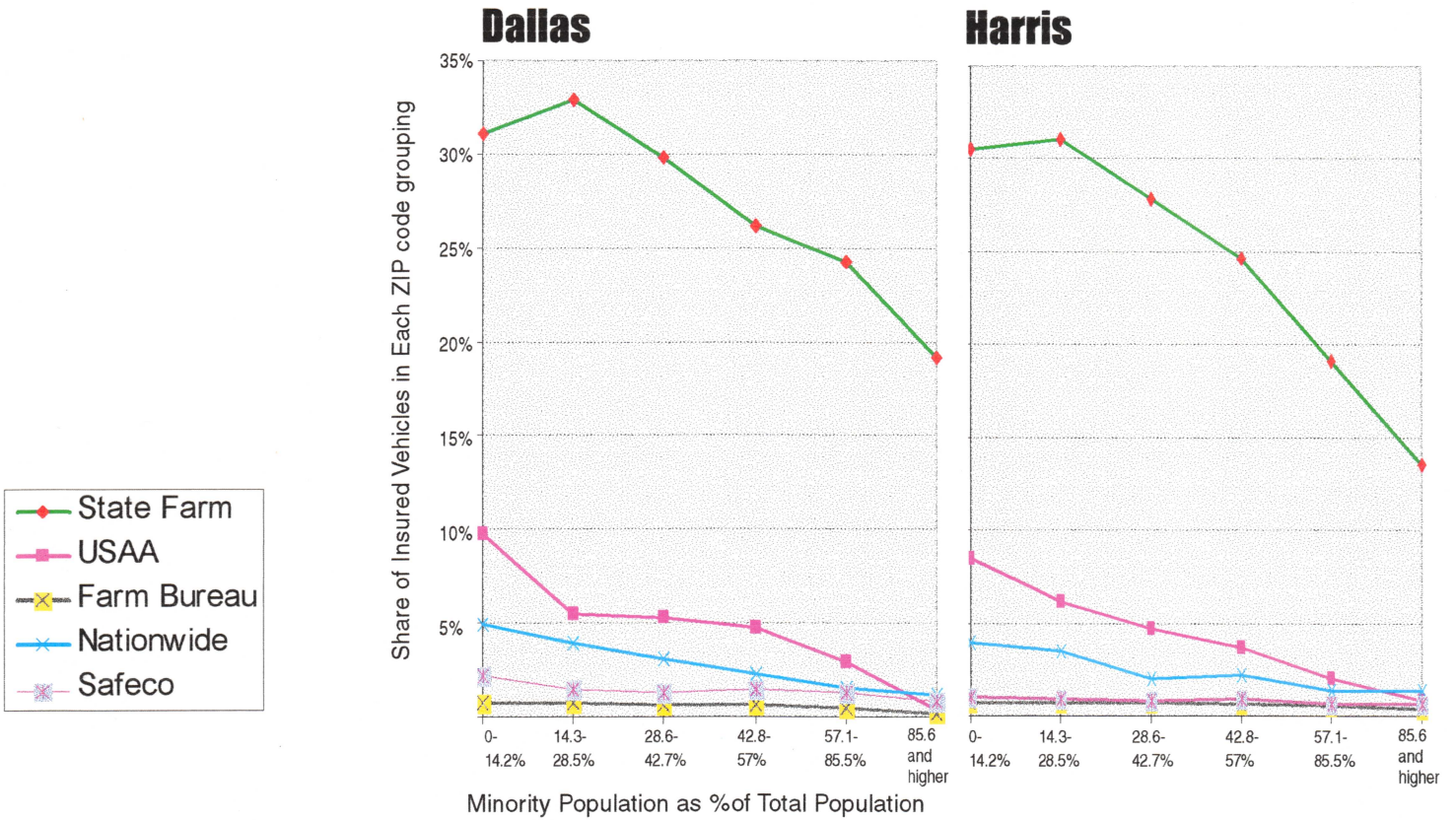
## Urban Area Results

Although Safeco and Farm Bureau have a lower overall share of the auto insurance market in each of the following urban areas (relative to State Farm, for example), they typically write a much larger share of their urban area business in predominantly Anglo areas, as the following pages show.

The first page of charts to follow describes State Farm, USAA, Farm Bureau, Nationwide and Safeco's overall marketshare in each urban area. State Farm, because it controls a larger share of the market, stands out. The second page, however, compares each company's market share in each zip code grouping to *its own statewide average*. The results are striking. **Nationwide, Safeco and USAA write far more than their own statewide average in Anglo areas and far less in minority areas.**



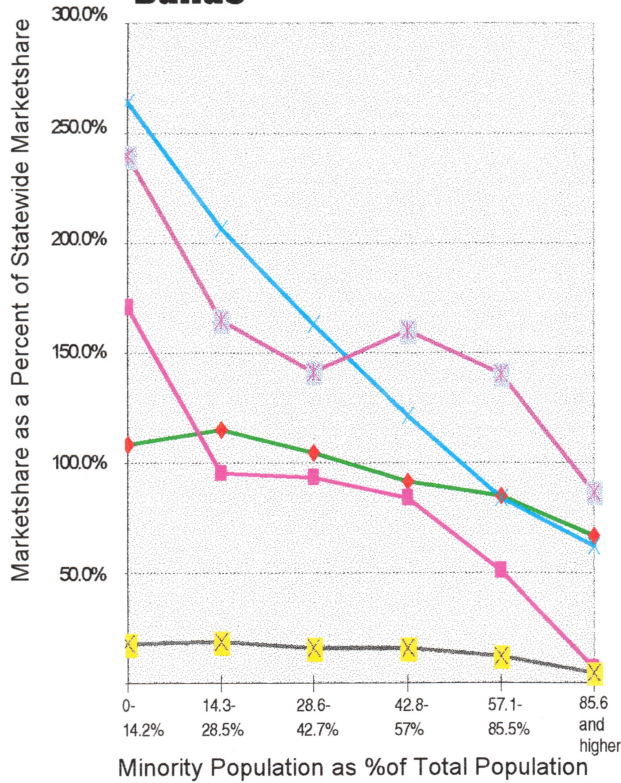
# These Major Insurance Companies Sell Fewer Policies in Non-Anglo ZIP Codes



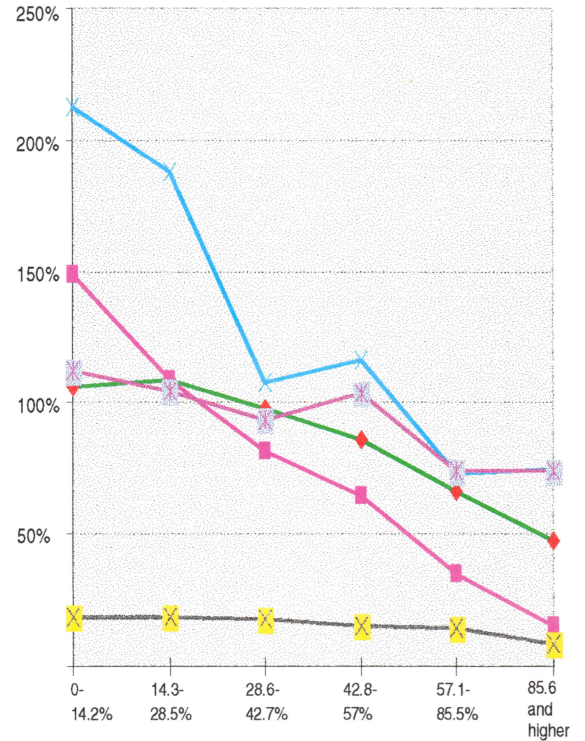


# Most Sell Far More than Their Statewide Average Marketshare in Anglo Areas--and Far Less in Minority Areas

## Dallas

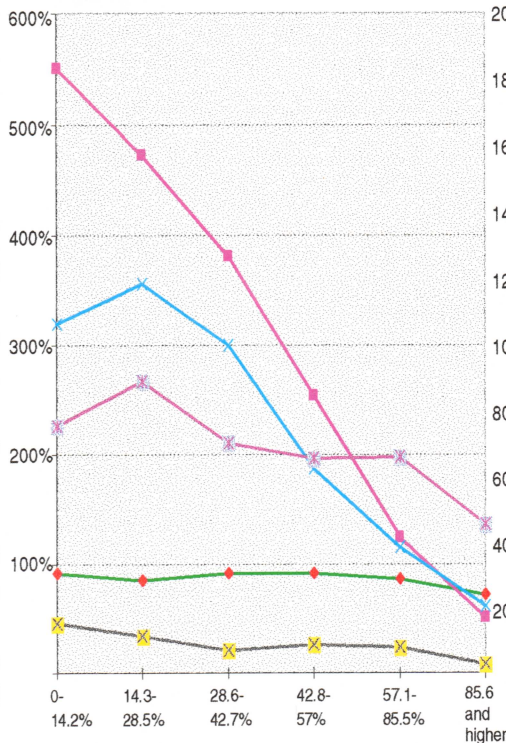


## Harris

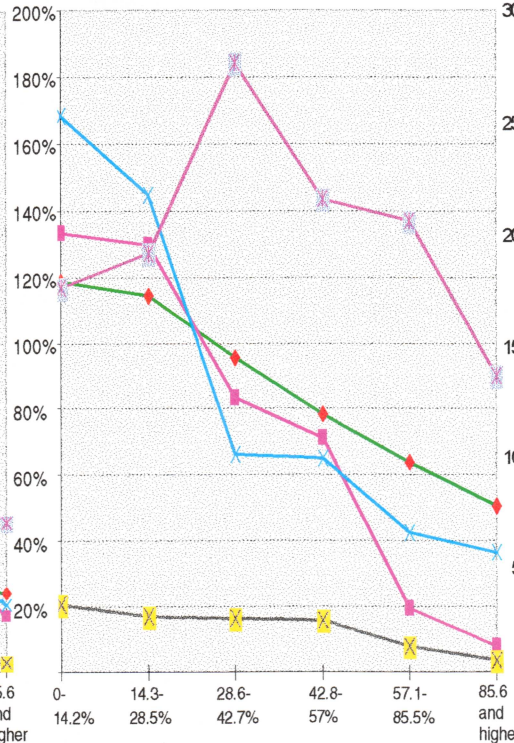


- State Farm
- USAA
- Farm Bureau
- Nationwide
- Safeco

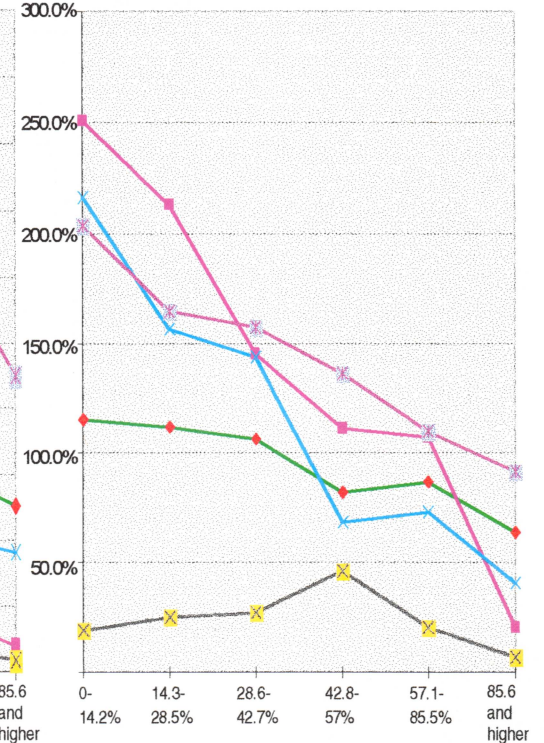
## Bexar



## Tarrant



## Travis





# **Appendix**

## Automobile Insurance Redlining in Texas: Minority Communities Do Not Have Equal Opportunity to Purchase Affordable Insurance

Minority Population	Number of ZIP Codes	1990 Population	Vehicles Insured in Standard and Preferred Companies as a Percentage of Total Vehicles Insured									
			<u>State Farm</u>	<u>Allstate</u>	<u>Allstate CM</u>	<u>Farmers</u>	<u>USAA</u>	<u>Farm Burea</u>	<u>Geico</u>	<u>Nationwide</u>	<u>Safeco</u>	
0.0% to 14.2%	552	2378800	31.5%	13.1%	2.4%	13.7%	6.4%	4.6%	1.9%	2.3%	1.0%	
14.3% to 28.5%	412	2781613	30.9%	12.4%	2.9%	13.3%	6.4%	4.2%	2.2%	2.3%	1.0%	
28.6% to 42.7%	262	1713472	28.5%	11.4%	3.4%	13.1%	6.5%	4.1%	2.6%	1.9%	0.9%	
42.8% to 57.0%	150	864405	25.2%	11.1%	4.1%	12.9%	5.3%	4.3%	3.2%	1.3%	0.8%	
57.1% to 85.5%	165	978905	23.3%	12.3%	4.5%	13.4%	4.0%	2.2%	2.9%	1.1%	0.8%	
85.6% or more	93	446935	19.4%	13.2%	4.9%	12.1%	1.4%	1.1%	2.3%	0.8%	0.5%	
Statewide Market Shar			28.6%	12.3%	3.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%	

Minority Population	Market Share in ZIP Code Groupings Compared to Statewide Market Share									
	<u>State Farm</u>	<u>Allstate</u>	<u>Allstate CM</u>	<u>Farmers</u>	<u>USAA</u>	<u>Farm Burea</u>	<u>Geico</u>	<u>Nationwide</u>	<u>Safeco</u>	
0.0% to 14.2%	110.0%	106.1%	72.8%	101.0%	112.9%	112.4%	82.6%	121.6%	111.3%	
14.3% to 28.5%	108.0%	100.5%	89.0%	98.7%	112.5%	102.7%	95.0%	124.1%	111.7%	
28.6% to 42.7%	99.7%	92.4%	105.4%	97.1%	114.1%	102.1%	113.0%	101.0%	96.5%	
42.8% to 57.0%	88.3%	90.1%	127.2%	95.5%	93.8%	107.0%	137.3%	71.2%	91.3%	
57.1% to 85.5%	81.6%	100.3%	138.2%	99.5%	69.9%	54.1%	124.6%	56.5%	85.2%	
85.6% or more	67.9%	107.5%	150.3%	89.4%	25.1%	28.0%	98.3%	42.0%	50.5%	

**Notes:**

All data supplied by the Texas Department of Insurance.

Insured Vehicle Counts as of September 30, 1996

Minority (Non-Anglo) Population from 1990 Census

Companies Included are State Farm Mutual, Allstate Indemnity, Allstate Insurance, Allstate Property & Casualty, Allstate County Mutual, Mid-Century, Texas Farmers, USAA, USAA CIC, USAA County Mutual, Southern Farm Bureau Mutual, Texas Farm Bureau Mutual, Geico General, Geico Indemnity, Government Employees, Nationwide General, Nationwide Mutual Fire, Nationwide Mutual, Nationwide Property & Casualty, Safeco Lloyds, and Safeco of Illinois.

Auto Insurance Redlining in Texas:  
County Results

**Dallas County**

Vehicles Insured in Standard and Preferred Companies as a % of Total Vehicles Insured

<b>Minority Population</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
0-14.2%	31.1%	11.5%	12.6%	9.7%	0.7%	2.7%	5.0%	2.2%
14.3-28.5%	32.9%	12.7%	15.6%	5.4%	0.8%	2.5%	3.9%	1.5%
28.6-42.7%	29.8%	11.4%	15.9%	5.3%	0.6%	3.0%	3.1%	1.3%
42.8-57%	26.1%	13.0%	14.7%	4.8%	0.7%	2.8%	2.3%	1.4%
57.1-85.5%	24.3%	13.0%	15.4%	2.9%	0.5%	2.5%	1.6%	1.3%
85% and higher	19.1%	17.1%	14.1%	0.4%	0.2%	1.7%	1.2%	0.8%
statewide marketshare	28.6%	12.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%

Market Share in ZIP Code Groupings as a Percent of Statewide Market Share

<b>Minority Population</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
0-14.2%	108.9%	93.4%	93.0%	171.0%	17.7%	118.3%	264.2%	239.6%
14.3-28.5%	115.3%	103.2%	115.4%	95.5%	19.1%	110.3%	206.8%	164.6%
28.6-42.7%	104.3%	92.2%	118.0%	93.4%	15.9%	131.6%	163.4%	141.5%
42.8-57%	91.5%	105.1%	108.9%	83.9%	16.2%	122.8%	122.2%	160.0%
57.1-85.5%	84.9%	105.9%	113.8%	51.0%	12.1%	107.0%	84.0%	140.7%
85% and higher	66.8%	138.4%	104.1%	6.9%	5.1%	73.2%	62.6%	86.7%

**Harris County**

Vehicles Insured in Standard and Preferred Companies as a % of Total Vehicles Insured

<b>Minority concentration</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
0-14.2%	30.5%	13.7%	15.2%	8.5%	0.8%	2.4%	4.0%	1.0%
14.3-28.5%	31.1%	13.1%	15.9%	6.2%	0.8%	2.5%	3.5%	0.9%
28.6-42.7%	27.9%	12.4%	16.8%	4.6%	0.7%	2.8%	2.0%	0.8%
42.8-57%	24.6%	12.8%	18.4%	3.7%	0.6%	3.2%	2.2%	0.9%
57.1-85.5%	19.1%	14.9%	16.6%	2.0%	0.6%	2.3%	1.4%	0.7%
85.6% or more	13.5%	18.0%	14.2%	0.9%	0.4%	2.7%	1.4%	0.7%
statewide marketshare	28.6%	12.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%

Market Share in ZIP Code Groupings as a Percent of Statewide Market Share

<b>Minority concentration</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
0-14.2%	106.7%	110.9%	112.4%	149.0%	18.6%	105.6%	212.2%	112.5%
14.3-28.5%	108.6%	106.1%	117.5%	108.5%	18.9%	109.6%	187.6%	104.7%
28.6-42.7%	97.5%	100.5%	124.0%	81.4%	17.6%	122.1%	108.2%	93.7%
42.8-57%	86.0%	103.9%	136.4%	64.3%	15.0%	137.7%	116.9%	104.0%
57.1-85.5%	66.7%	121.3%	122.9%	34.9%	14.5%	100.7%	72.9%	74.2%
85.6% or more	47.4%	145.8%	105.4%	15.0%	8.7%	115.6%	74.9%	74.1%

**Tarrant County**

**Vehicles Insured in Standard and Preferred Companies as a % of Total Vehicles Insured**

<b>Minority concentration</b>	<b>State Farm</b>	<b>Allstate</b>	<b>Farmers</b>	<b>USAA</b>	<b>Farm Bureau</b>	<b>Geico</b>	<b>Nationwide</b>	<b>Safeco</b>
0-14.2%	33.8%	16.1%	14.5%	7.6%	0.8%	2.6%	3.2%	1.1%
14.3-28.5%	32.7%	14.0%	15.4%	7.4%	0.7%	3.2%	2.7%	1.1%
28.6-42.7%	27.3%	13.5%	17.1%	4.8%	0.7%	3.1%	1.2%	1.7%
42.8-57%	22.3%	13.5%	16.8%	4.0%	0.6%	2.3%	1.2%	1.3%
57.1-85.5%	18.3%	14.7%	17.1%	1.1%	0.3%	2.1%	0.8%	1.2%
85.6% and up	14.3%	15.3%	13.6%	0.5%	0.2%	1.9%	0.7%	0.8%
statewide mkshare	28.6%	12.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%

**Market Share in ZIP Code Groupings as a Percent of Statewide Market Share**

<b>Minority concentration</b>	<b>State Farm</b>	<b>Allstate</b>	<b>Farmers</b>	<b>USAA</b>	<b>Farm Bureau</b>	<b>Geico</b>	<b>Nationwide</b>	<b>Safeco</b>
0-14.2%	118.3%	130.7%	107.3%	133.1%	20.9%	111.8%	168.2%	116.8%
14.3-28.5%	114.6%	113.8%	114.2%	129.7%	17.3%	137.1%	144.5%	127.0%
28.6-42.7%	95.5%	109.2%	126.8%	83.5%	16.2%	133.7%	66.2%	184.2%
42.8-57%	78.1%	109.7%	124.4%	70.9%	15.8%	101.3%	65.1%	143.2%
57.1-85.5%	64.1%	119.1%	126.6%	19.4%	7.8%	91.3%	42.4%	136.7%
85.6% and up	50.2%	124.3%	100.3%	8.1%	3.8%	82.6%	36.2%	90.2%

**Bexar County**

**Vehicles Insured in Standard and Preferred Companies as a % of Total Vehicles Insured**

<b>Minority concentration</b>	<b>State Farm</b>	<b>Allstate</b>	<b>Farmers</b>	<b>USAA</b>	<b>Farm Bureau</b>	<b>Geico</b>	<b>Nationwide</b>	<b>Safeco</b>
0-14.2%	26.1%	8.7%	7.2%	31.3%	1.9%	2.1%	6.0%	2.0%
14.3-28.5%	24.2%	7.3%	7.3%	26.9%	1.4%	3.2%	6.7%	2.4%
28.6-42.7%	26.1%	8.7%	8.4%	21.7%	0.9%	4.2%	5.6%	1.9%
42.8-57%	26.3%	9.6%	9.0%	14.5%	1.0%	5.6%	3.5%	1.8%
57.1-85.5%	24.8%	10.9%	9.7%	7.0%	1.0%	4.1%	2.2%	1.8%
85.6% or more	20.6%	7.7%	2.9%	2.9%	0.3%	3.1%	1.2%	1.2%
statewide mkshare	28.6%	12.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%

**Market Share in ZIP Code Groupings as a Percent of Statewide Market Share**

<b>Minority concentration</b>	<b>State Farm</b>	<b>Allstate</b>	<b>Farmers</b>	<b>USAA</b>	<b>Farm Bureau</b>	<b>Geico</b>	<b>Nationwide</b>	<b>Safeco</b>
0-14.2%	91.2%	70.3%	53.5%	550.0%	46.3%	89.2%	318.8%	225.5%
14.3-28.5%	84.6%	59.1%	54.0%	471.7%	34.4%	139.5%	355.1%	267.1%
28.6-42.7%	91.3%	71.0%	62.3%	380.1%	21.0%	181.3%	298.9%	211.0%
42.8-57%	92.0%	77.7%	66.7%	253.9%	25.6%	240.7%	187.0%	195.6%
57.1-85.5%	86.6%	88.3%	72.0%	123.6%	24.0%	175.9%	115.2%	197.6%
85.6% or more	72.1%	62.3%	21.6%	51.3%	7.6%	134.0%	61.5%	135.8%



**Travis County**

**Vehicles Insured in Standard and Preferred Companies as a % of Total Vehicles Insured**

<b>Minority concentration</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
<b>0-14.2%</b>	33.0%	8.5%	10.0%	14.3%	0.8%	2.9%	4.1%	1.8%
<b>14.3-28.5%</b>	31.9%	10.6%	10.4%	12.1%	1.0%	3.7%	2.9%	1.5%
<b>28.6-42.7%</b>	30.5%	10.0%	11.3%	8.3%	1.1%	3.8%	2.7%	1.4%
<b>42.8-57%</b>	23.4%	12.3%	10.4%	6.3%	1.9%	4.3%	1.3%	1.2%
<b>57.1-85.5%</b>	24.8%	11.0%	11.4%	6.1%	0.8%	4.0%	1.4%	1.0%
<b>85.6% or more</b>	18.3%	15.6%	12.0%	1.2%	0.3%	2.0%	0.8%	0.8%
<b>statewide mkshare</b>	28.6%	12.3%	13.5%	5.7%	4.1%	2.3%	1.9%	0.9%

**Market Share in ZIP Code Groupings as a Percent of Statewide Market Share**

<b>Minority concentration</b>	<b><u>State Farm</u></b>	<b><u>Allstate</u></b>	<b><u>Farmers</u></b>	<b><u>USAA</u></b>	<b><u>Farm Bureau</u></b>	<b><u>Geico</u></b>	<b><u>Nationwide</u></b>	<b><u>Safeco</u></b>
<b>0-14.2%</b>	115.3%	68.8%	73.8%	250.4%	18.9%	125.3%	216.2%	203.4%
<b>14.3-28.5%</b>	111.7%	86.2%	76.8%	212.8%	24.9%	161.0%	156.2%	164.6%
<b>28.6-42.7%</b>	106.6%	81.0%	83.6%	145.0%	27.2%	163.4%	143.8%	157.1%
<b>42.8-57%</b>	81.8%	100.0%	77.0%	110.8%	45.8%	186.2%	68.4%	136.0%
<b>57.1-85.5%</b>	86.8%	89.5%	84.7%	107.0%	20.5%	173.0%	72.8%	109.6%
<b>85.6% or more</b>	63.9%	126.6%	88.5%	20.6%	6.7%	88.5%	40.4%	91.2%