

# Legal Briefs

*News You Can Use from the City of Oakland Office of the City Attorney*

*Legal Briefs is a series of essays by City Attorney John Russo to update the community on key projects, major initiatives and important legal developments in the Office of the City Attorney.*

---

June 2003



Volume 3, Number 4

---

## **CAR INSURANCE RATES AMOUNT TO “POSTAL PROFILING” Rates Based on Zip Code, Not Driving Record**

Consider this: a young, single man living in Montclair pays \$3,400 per year for car insurance. But if that same driver, with the same driving record and number of years behind the wheel moved to Fruitvale, less than five miles away, he would pay *\$1,000 more* for the same insurance.

In Southern California the disparity is even more galling. In San Luis Obispo, our hypothetical driver would pay \$1,700 for insurance, but if that same driver moved to South Central Los Angeles, he would pay over \$7,800 – that’s a 360% difference!

How can this be fair? Why should great drivers who happen to live in challenged neighborhoods effectively subsidize lousy drivers who are lucky enough to live in better communities? It’s all a matter of ZIP code. Often this is a proxy factor for other, less savory considerations. ZIP code profiling—whether intended or not—nearly always has a racial and/or a class dimension.

In 1988, California voters demanded fairness and equity in insurance rates by passing Proposition 103. This law requires insurance companies to base rates on three logical, equitable factors: driving record, miles driven, and years of driving experience. Yet fifteen years later, ratepayers in low-income areas throughout California are still sandbagged with exorbitant insurance rates based not on how they drive, but where they live.

The current regulations adopted by former Insurance Commissioner Chuck Quackenbush allowed insurers to base rates on more subjective factors such as ZIP code, marital status, or gender—the same factors insurance companies used before voters passed Proposition 103.

This practice discriminates against the poor by charging higher rates to those who can least afford it, which in turn exacerbates the problem of uninsured drivers, putting all Californians at risk.

In late May, I joined forces with the City Attorneys of San Francisco and Los Angeles and a coalition of consumer groups to urge current Insurance Commissioner John Garamendi to require auto insurance companies’ compliance with voter-mandated Proposition 103. In our petition we asked Commissioner Garamendi to strike down the regulation adopted by Quackenbush in 1996 that has allowed insurance companies to

circumvent Proposition 103 by giving far more weight to a driver's ZIP code and other criteria.

Within hours of our filing, Insurance Commissioner Garamendi approved the petition and agreed to take public comment this summer and early fall, demonstrating the strength and effectiveness of this coalition.

Coalition members include Consumers Union, Spanish Speaking Citizens Foundation, National Council of La Raza, Southern California Leadership Council of Greater Los Angeles, Foundation for Taxpayer and Consumer Rights, City of Los Angeles, City and County of San Francisco, and the City of Oakland.

Californians are required by law to have auto insurance. This petition would allow insurance companies the permissible discrimination necessary to charge a fair premium related to the driving record of the insured. All of us in Oakland, a city that prides itself in its passion for justice, should be proud of this collaboration. Drivers should be charged fair and equitable rates based on how they drive, not where they live.