

How Fair Is New York's FAIR Plan?

An Examination of NYPIUA's Residential FAIR Plan Policies

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Why this analysis?

- Empire Justice Center has been working for several years on issues around fair access to homeowners insurance
- New York currently has no public data on where and to whom insurers are writing homeowners policies
- However, Empire Justice was able to acquire data by zip code on where homeowners go as a “last resort” for insurance
 - An analysis of this data may suggest whether and where homeowners have less access to affordable property insurance

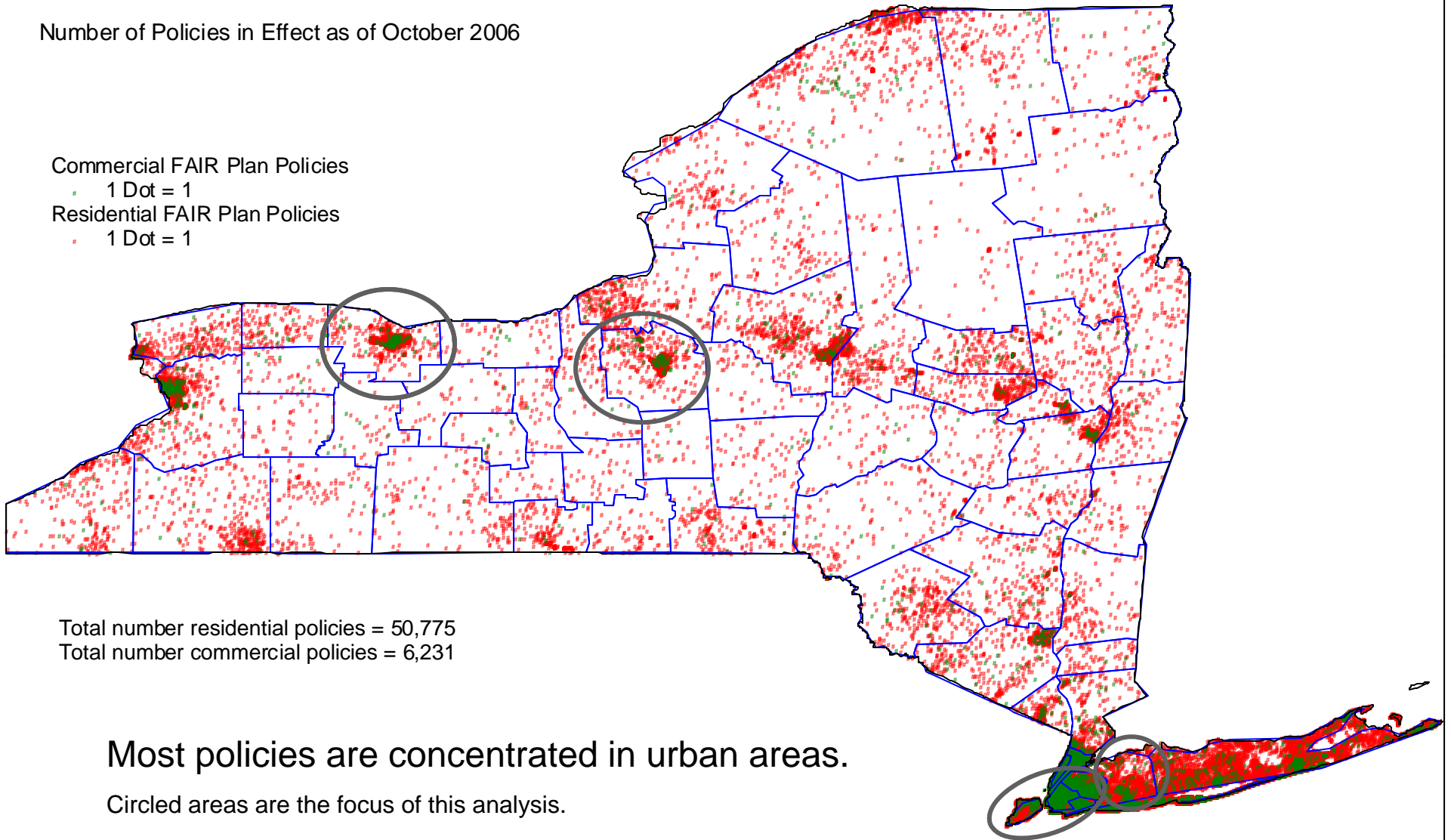
The data is...

- A one time snap shot of residential and commercial policies by zip code administered by the New York Property Insurance Underwriting Association (NYPIUA), called residential/commercial FAIR (Fair Access to Insurance Reporting) Plan policies in this report (includes coastal policies)
- Residential and commercial policies in force as of October 2006

Distribution of Residential and Commercial FAIR Plan Policies in New York State

Number of Policies in Effect as of October 2006

Commercial FAIR Plan Policies
1 Dot = 1
Residential FAIR Plan Policies
1 Dot = 1



FAIR Plan data was provided by the NYS
Assembly Insurance Committee which
obtained the data from NYPIUA.

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The analysis

- Focused on different regions across the state
- To control for population, used a rate—the number of residential FAIR Plan policies per 1000 housing units
- Mapped the concentration of policies by zip code
- Overlaid U.S. Census data
 - Vacancy rate
 - % Black and Hispanic population

Additional analysis

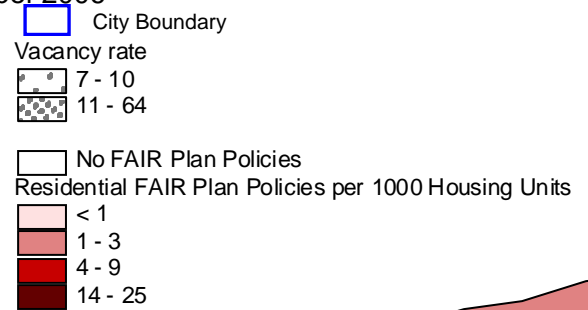
- We also looked at other factors
 - The median housing value
 - The median family income
 - The poverty rate
- And conducted additional analyses to see which factors were related to the concentration of residential FAIR Plan policies

Monroe County, site of Empire Justice's previous study

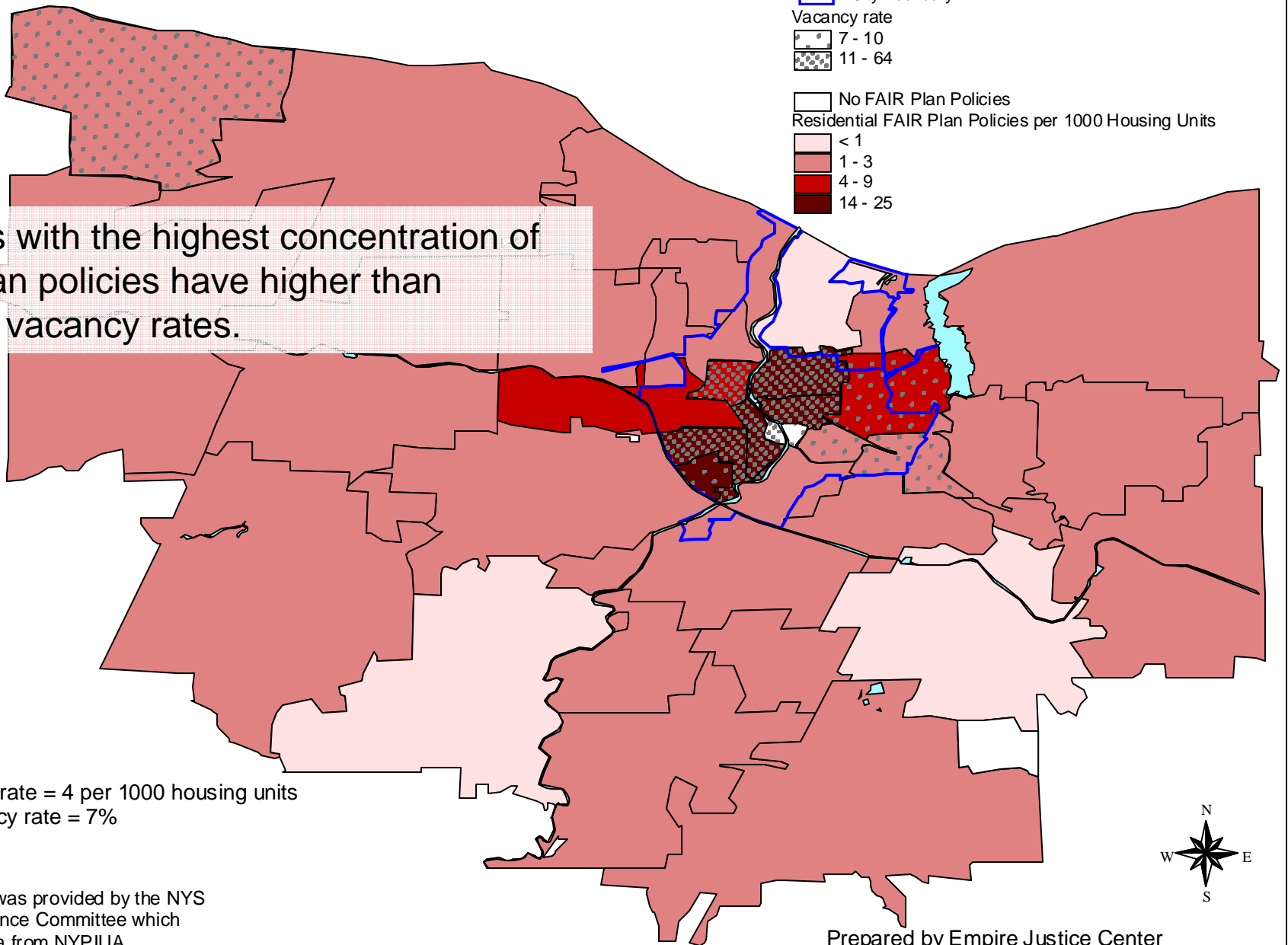
- We chose Monroe County as one area of focus for several reasons
 - We found disturbing disparities in homeowners insurance in our 2005 study, "The Homeowners Insurance Gap: How Race and Neighborhood Composition Explain Cost and Access Disparities in Rochester and Monroe County, NY"
 - Empire Justice's Rochester office is located in Monroe County
 - Monroe County is in the western part of New York State

FAIR Plan Concentration in Monroe County Compared to Vacancy Rates

Number of Policies in Effect Per 1000 Housing Units October 2006



All areas with the highest concentration of FAIR Plan policies have higher than average vacancy rates.



Average policy rate = 4 per 1000 housing units
Average vacancy rate = 7%

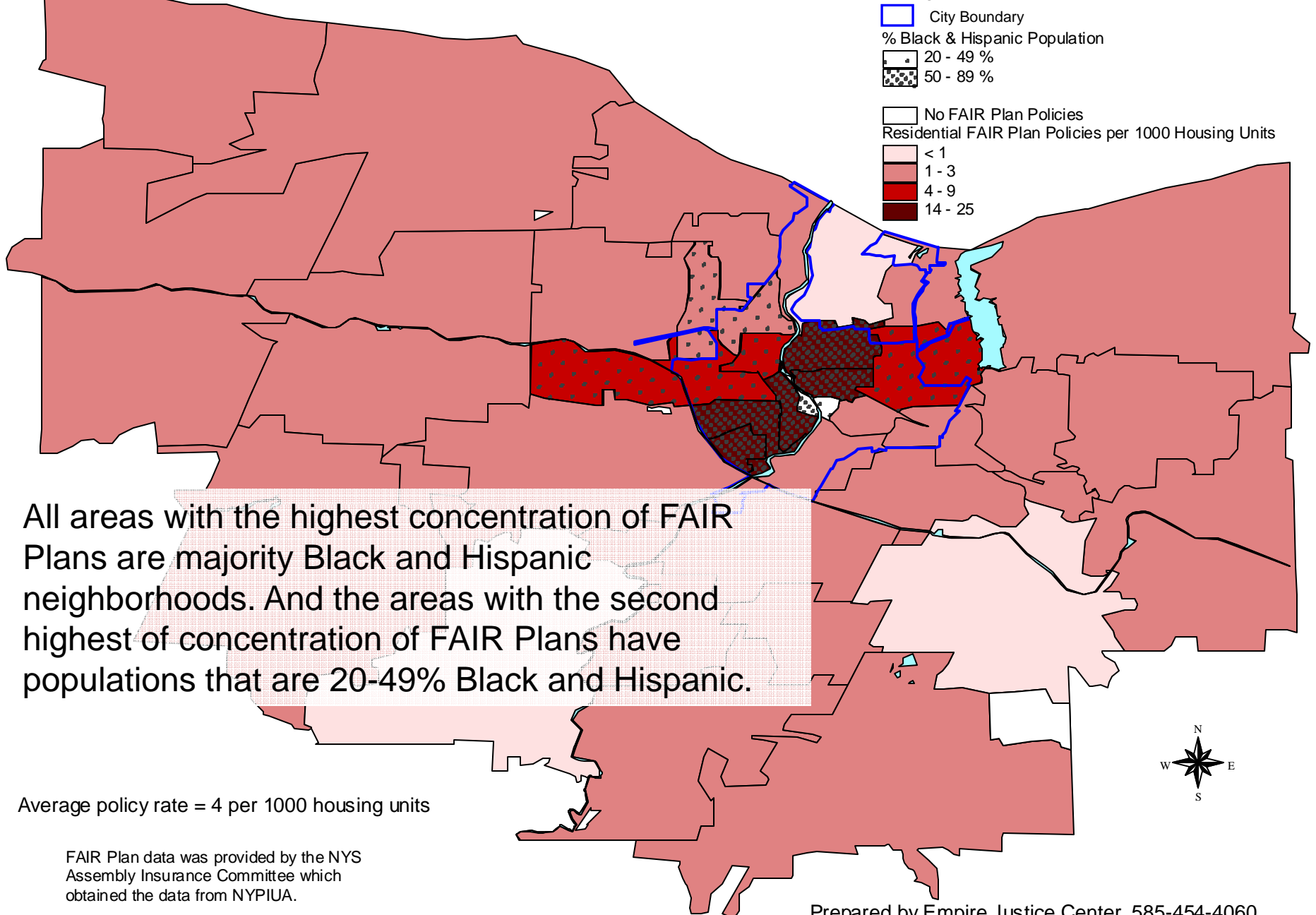
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FAIR Plan Concentration in Monroe County Compared to Black and Hispanic Population

Number of Residential Policies in Effect in Each Zip Code Per 1000 Housing Units, October 2006

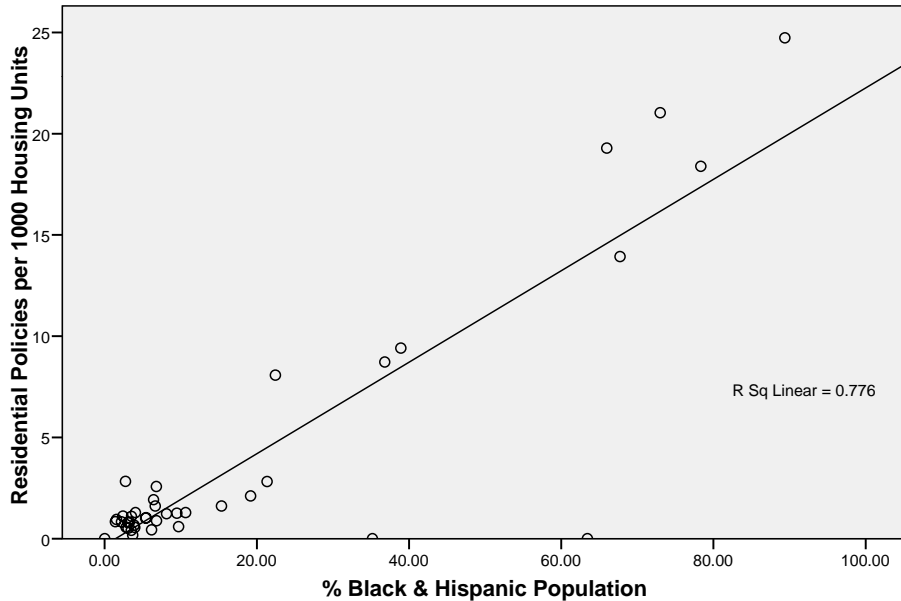


Comparison of Factors affecting FAIR Plan concentrations

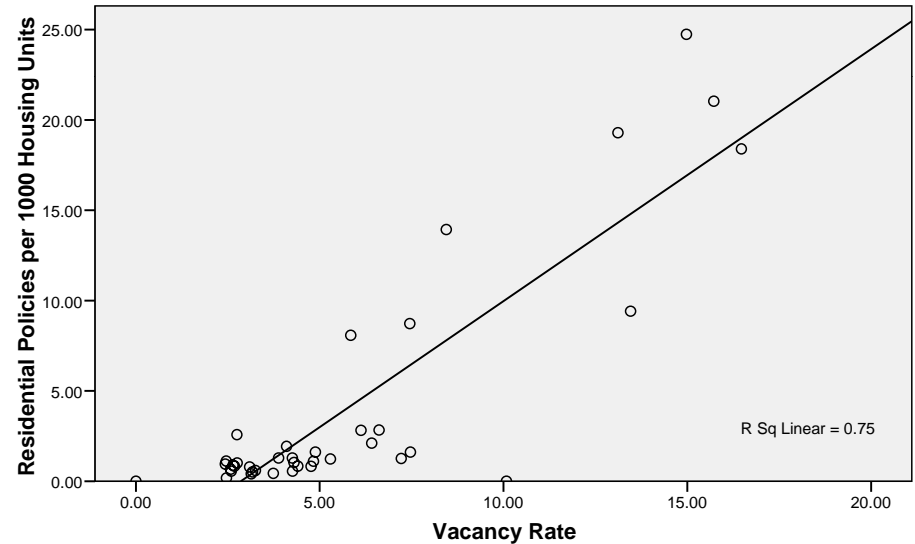
- We also wanted to examine the relative strengths of the various factors we used in the maps that might be related to the concentration of FAIR Plan policies in different areas of the state
- We illustrate our analysis through the following scatter plots
 - These compare how well % Blacks and Hispanics and Vacancy Rate fit differences in the concentration of FAIR Plan Policies

FAIR Plan concentration in Monroe County is related to both the % of Blacks and Hispanics and the vacancy rate.

Comparing FAIR Plan Concentration in Monroe County to % of Blacks and Hispanics



Comparing FAIR Plan Concentration in Monroe County to Vacancy Rate



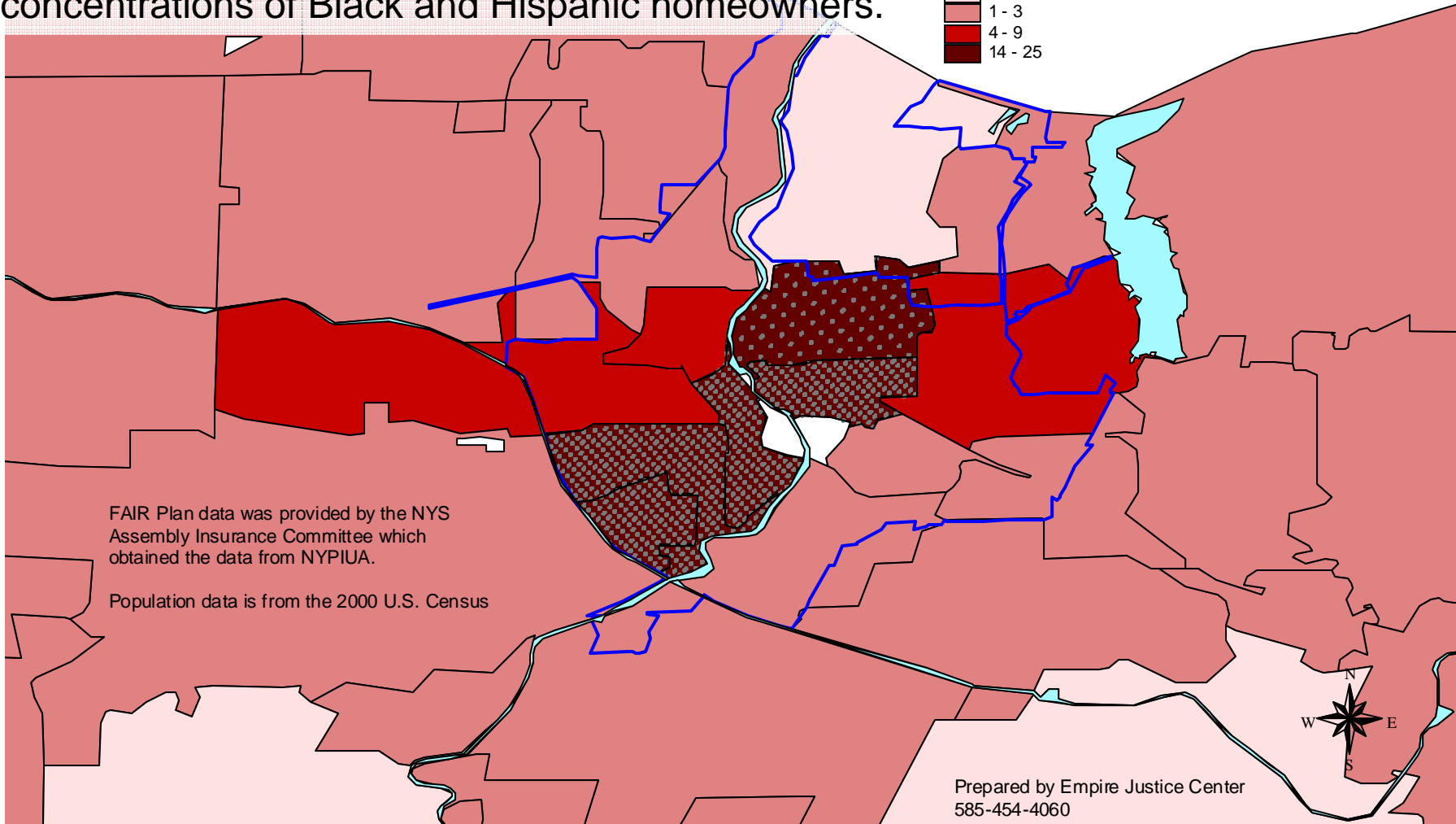
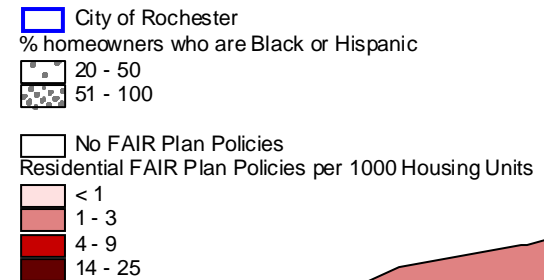
One high vacancy rate (64%) zip code not included, as it is in the central business district with a small number of housing units.

The strong vacancy rate-FAIR Plan concentration relationship occurred only after taking out an outlying case.

The Impact of FAIR Plan Concentration in Monroe County on Areas with Black and Hispanic Homeowners

As of October 2006

The areas with the highest concentration of FAIR Plan policies are those with the highest concentrations of Black and Hispanic homeowners.



FAIR Plan data was provided by the NYS Assembly Insurance Committee which obtained the data from NYPIUA.

Population data is from the 2000 U.S. Census



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Disparate impact in Monroe County

- Homeowners in these neighborhoods have less access to quality, affordable insurance on the private market.
 - This lack of access supports the finding in Empire Justice Center's 2005 study "The Homeowners Insurance Gap " that
 - Communities of color paid higher annual premiums for policies with less comprehensive coverage

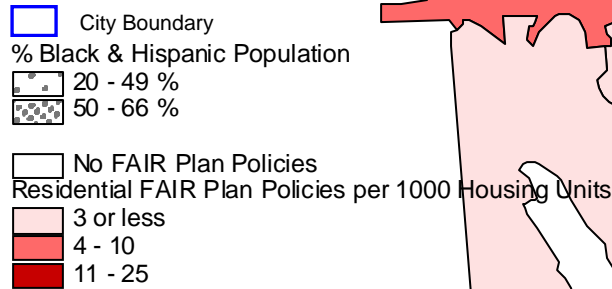
Onondaga County – Central New York

- Fair Housing Council of Central New York successfully settled with Erie Insurance after the Department of Housing and Urban Development (HUD) found racial discrimination by Erie Insurance in the city of Syracuse
- Our analysis of FAIR Plan concentration in Onondaga County suggests that neighborhoods of color may have less access to private market insurance than other neighborhoods

FAIR Plan Concentration in Onondaga County Compared to Black and Hispanic Population

Number of Policies in Effect
Per 1000 Housing Units
October 2006

All of the areas in the city of Syracuse with the highest concentrations of FAIR Plans are neighborhoods where at least 20% of the population is Black or Hispanic.



Average policy rate = 3.5 per 1000 housing units

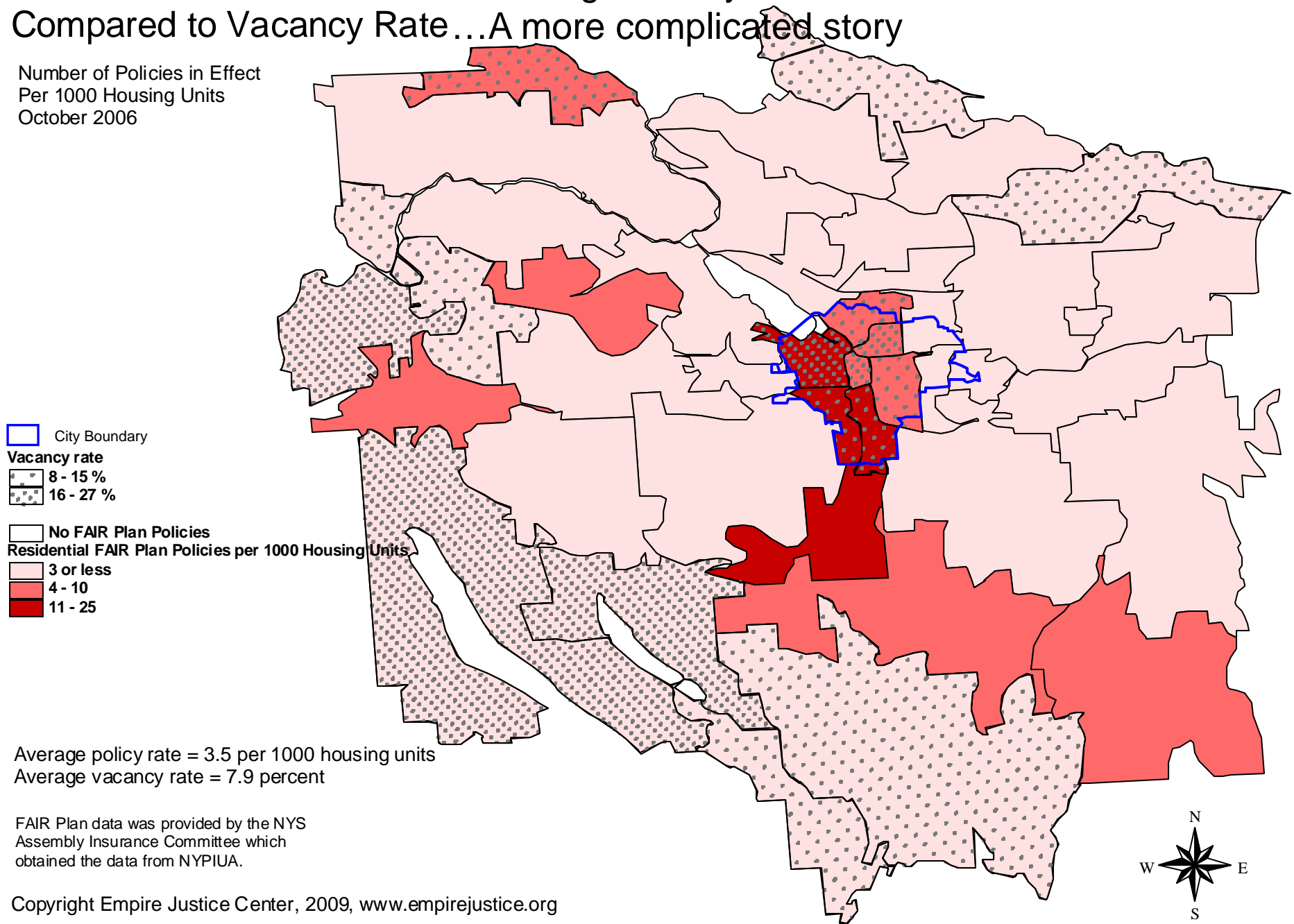
FAIR Plan data was provided by the NYS
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FAIR Plan Concentration in Onondaga County Compared to Vacancy Rate...A more complicated story

Number of Policies in Effect
Per 1000 Housing Units
October 2006



Average policy rate = 3.5 per 1000 housing units
Average vacancy rate = 7.9 percent

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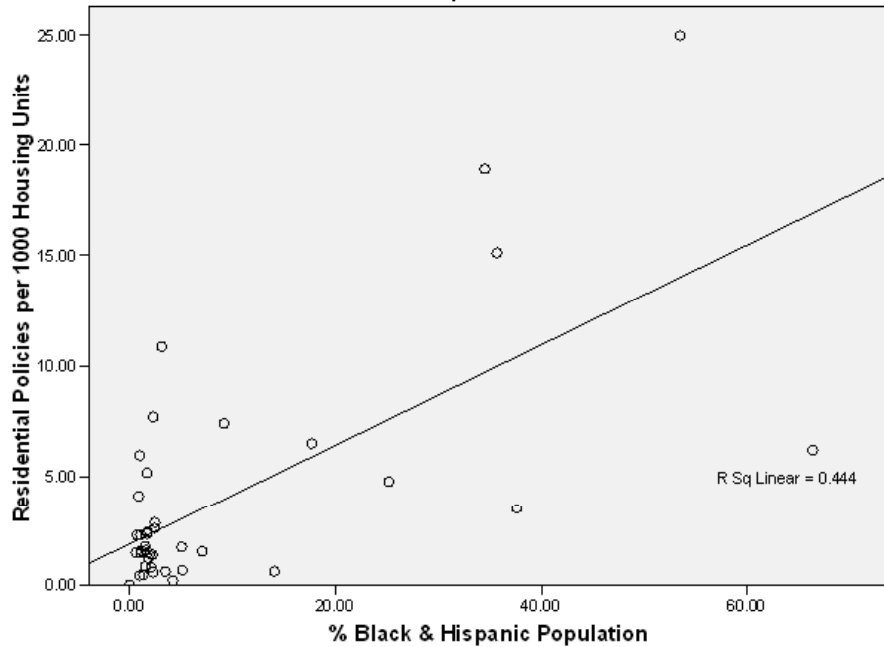


FAIR Plan Concentration and Vacancy Rate in Onondaga County

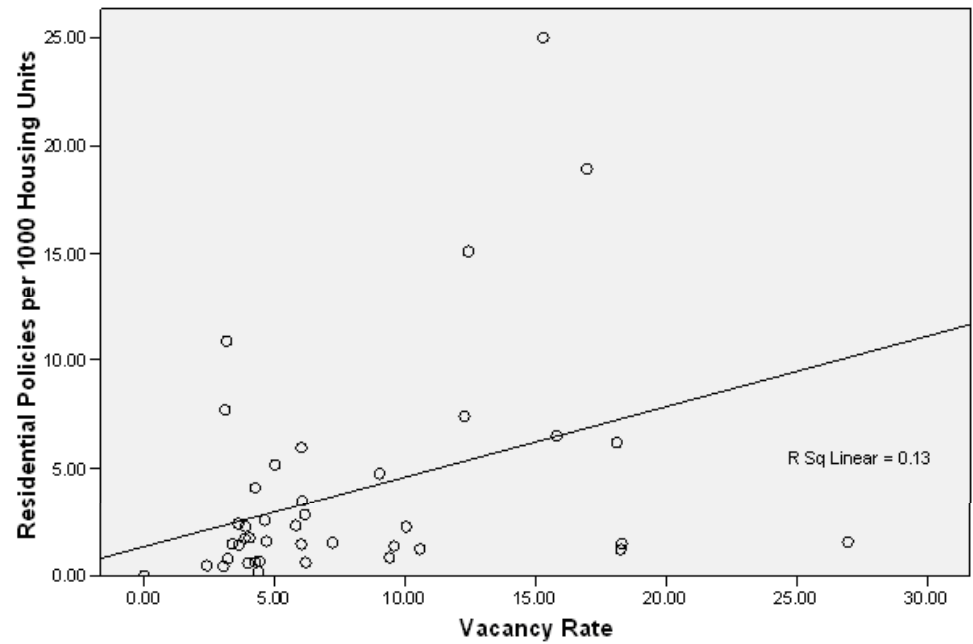
- In the city of Syracuse, the areas with the highest vacancy rates have higher concentrations of FAIR Plan policies
- However, this is not true outside Syracuse
 - There are many areas in the Onondaga County suburbs with high vacancy rates, but which do NOT have high concentrations of FAIR Plan policies.

FAIR Plan concentration in Onondaga County is more closely related to the % of Blacks and Hispanics in a neighborhood than to the vacancy rate.

Comparing FAIR Plan Concentration in Onondaga County to % of Blacks and Hispanics



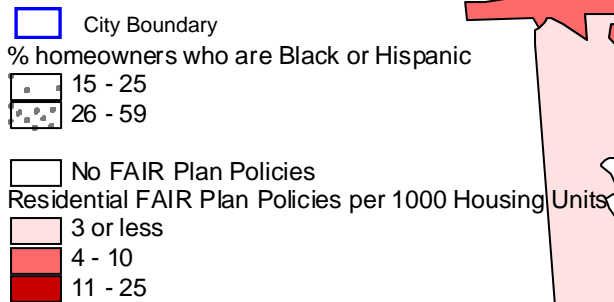
Comparing FAIR Plan Concentration in Onondaga County to Vacancy Rate



The Impact of FAIR Plan Concentration in Onondaga County on Areas with Black and Hispanic Homeowners

Number of Policies in Effect Per 1000 Housing Units October 2006

Almost all of the Syracuse neighborhoods with significant proportions of Black and Hispanic homeowners are neighborhoods with higher concentrations of FAIR Plans.



Average policy rate = 3.5 per 1000 housing units

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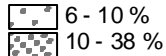
Another area of New York State

- The relationship is slightly different when we look at Brooklyn, Queens and Staten Island (Kings, Queens and Richmond Counties)
 - Vacancy rate is related to the concentration of FAIR Plans
 - However, almost all of the non-coastal areas with the highest concentration of FAIR Plans are majority Black and Hispanic neighborhoods.

FAIR Plan Penetration in Kings, Queens and Richmond Counties Compared to Vacancy Rate

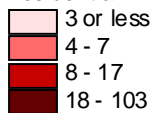
Number of Policies in Effect Per 1000 Housing Units
October 2006

Vacancy rate



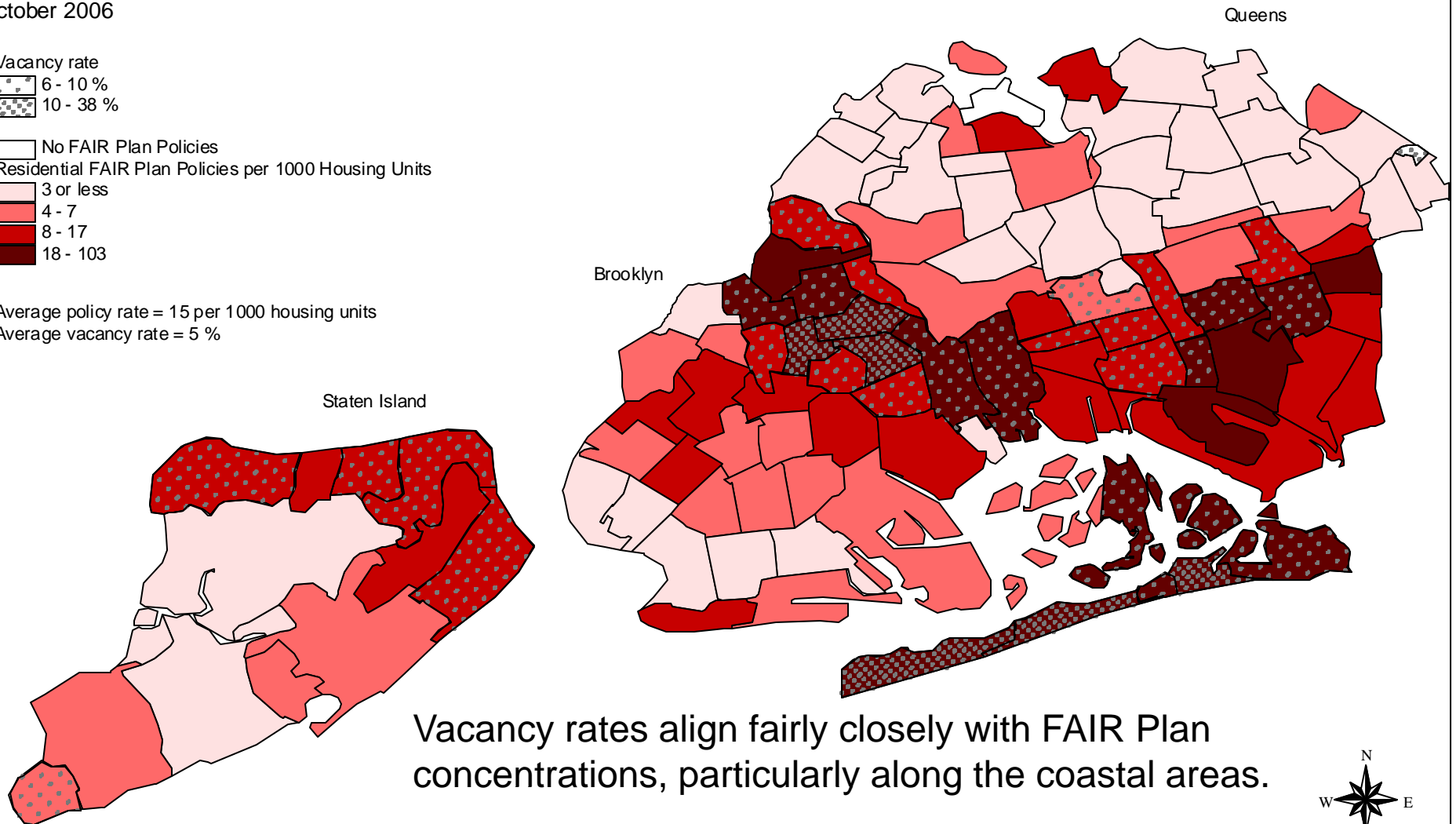
No FAIR Plan Policies

Residential FAIR Plan Policies per 1000 Housing Units



Average policy rate = 15 per 1000 housing units

Average vacancy rate = 5 %



Vacancy rates align fairly closely with FAIR Plan concentrations, particularly along the coastal areas.




FAIR Plan data was provided by the NYS Assembly Insurance Committee which obtained the data from NYPIUA.

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FAIR Plan Concentration in Kings, Queens and Richmond Counties Compared to Black and Hispanic Population


Number of Policies in Effect Per 1000 Housing Units
October 2006


% Black & Hispanic Population

 50 - 96 %


 No FAIR Plan Policies

Residential FAIR Plan Policies per 1000 Housing Units

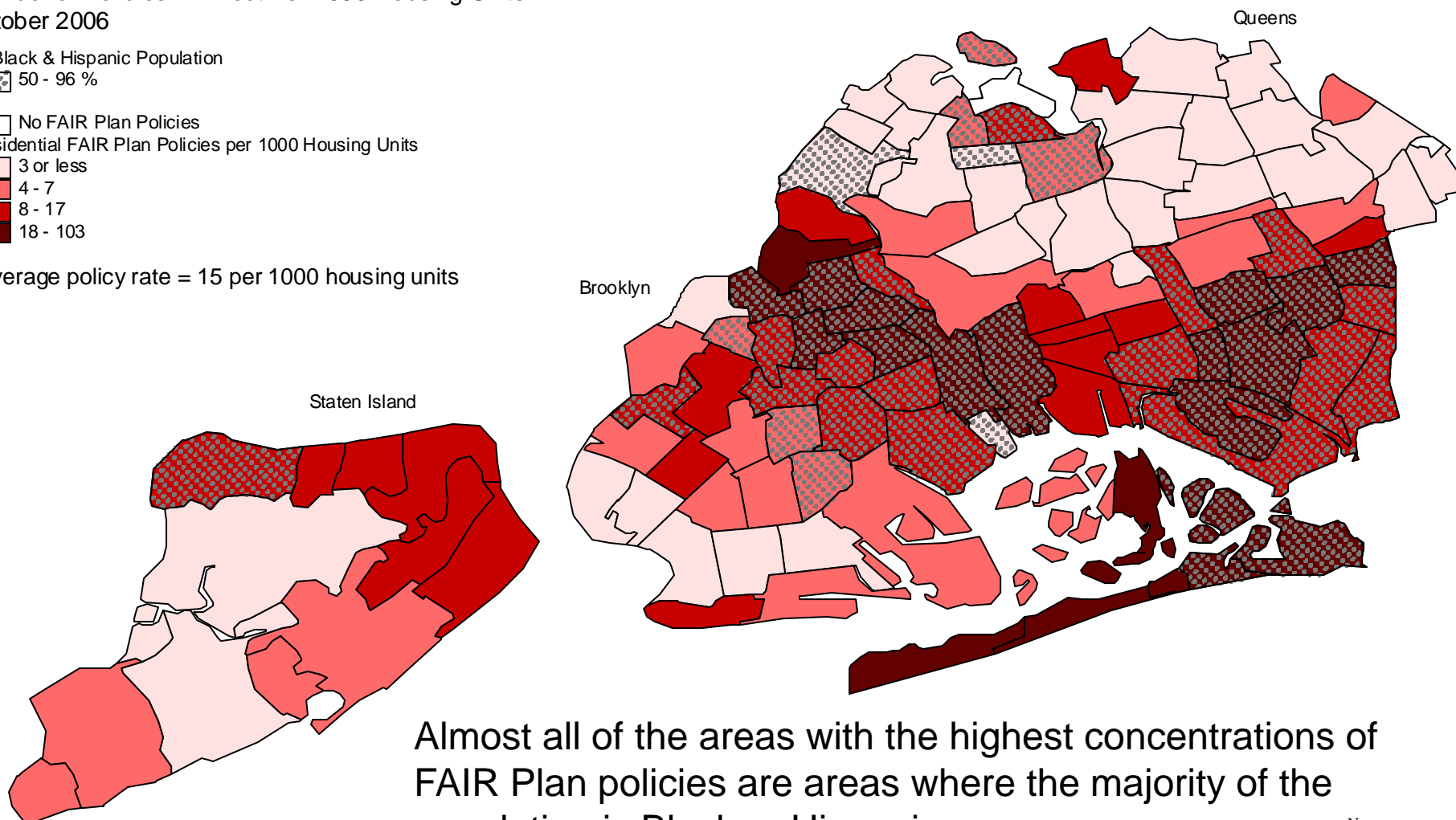
 3 or less

 4 - 7

 8 - 17

 18 - 103

Average policy rate = 15 per 1000 housing units



Almost all of the areas with the highest concentrations of FAIR Plan policies are areas where the majority of the population is Black or Hispanic.

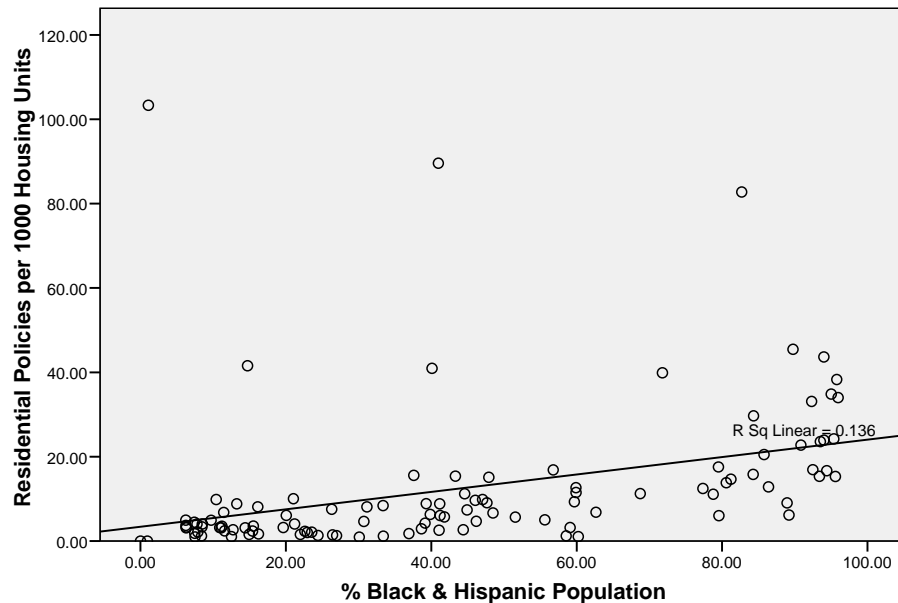
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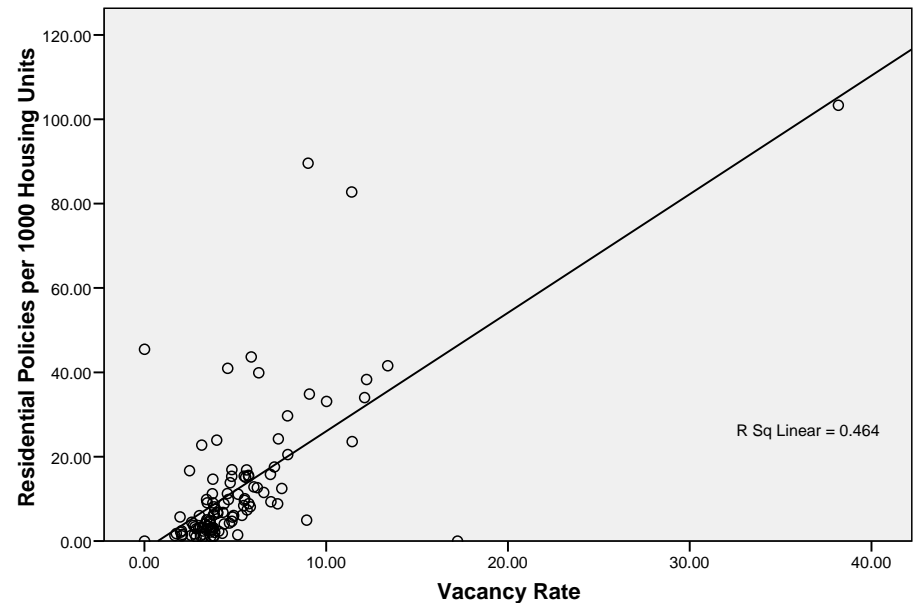


FAIR Plan concentration in Brooklyn, Queens and Staten Island is more closely related to the vacancy rate than the % of Blacks and Hispanics.

Comparing FAIR Plan Concentration in Kings, Queens and Richmond Counties to % of Blacks and Hispanics

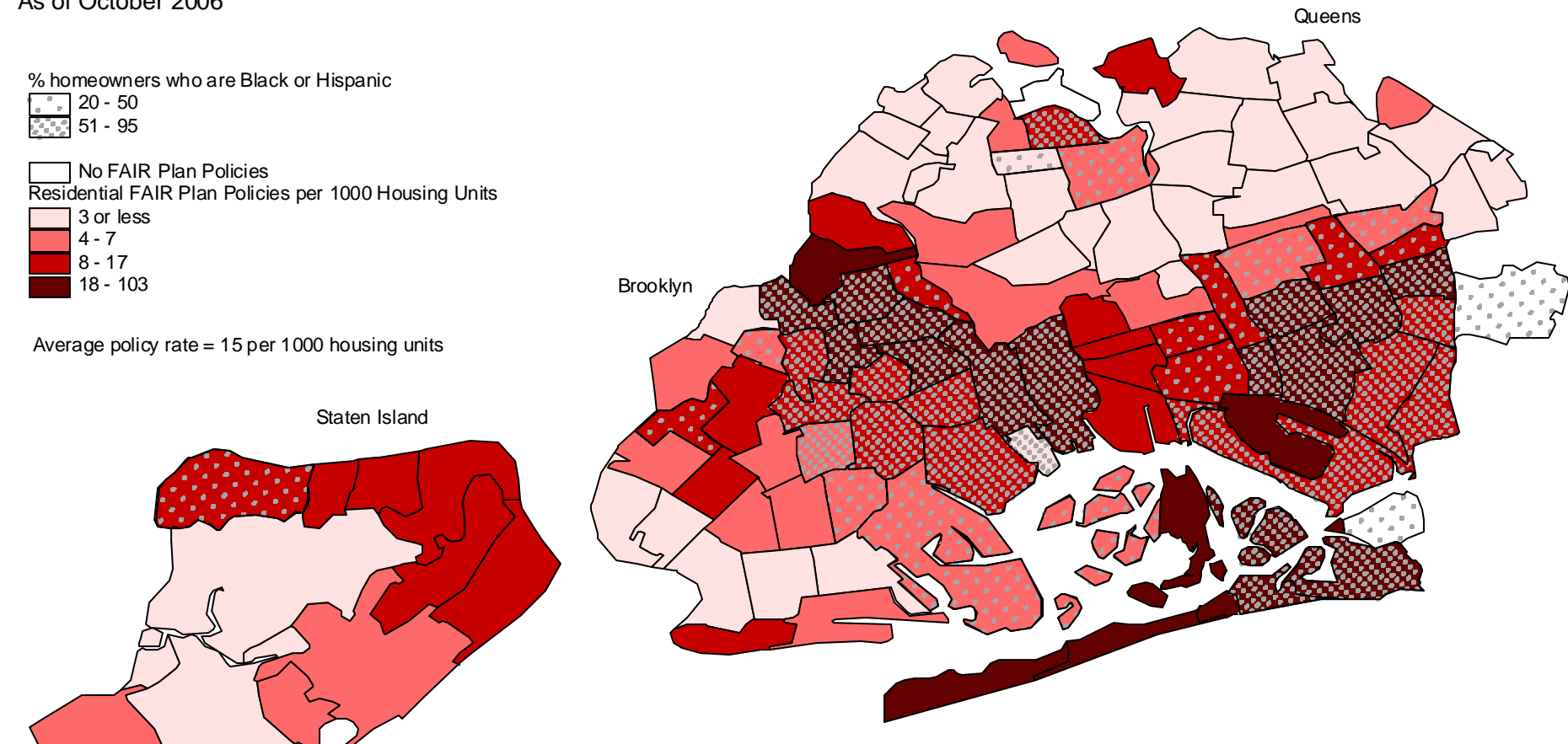


Comparing FAIR Plan Concentration in Kings, Queens and Richmond Counties to Vacancy Rate



The Impact of FAIR Plan Concentration in Kings, Queens and Richmond Counties in Areas with Black and Hispanic Homeowners

As of October 2006



Living in an area with minority homeowners does not necessarily mean no access to insurance. Still, almost all the areas with highest concentrations of FAIR Plan policies are neighborhoods where the majority of homeowners are Black or Hispanic (all but 2 non-coastal areas).

Nassau County on Long Island



- The coast of New York State is another matter
 - Coastal areas have the highest concentrations of FAIR Plans
 - In Nassau County, almost all areas with higher than average concentrations of FAIR Plan policies are on the coast
 - While most minority areas are inland, and
 - Most areas with higher vacancy rates are along the coast.

FAIR Policy Concentration in Nassau County Compared to Black and Hispanic Population

Number of Policies in Effect
Per 1000 Housing Units, October 2006





Average policy rate = 22 per 1000 housing units

% Black & Hispanic Population

-  20 - 49 %
-  50 - 95 %

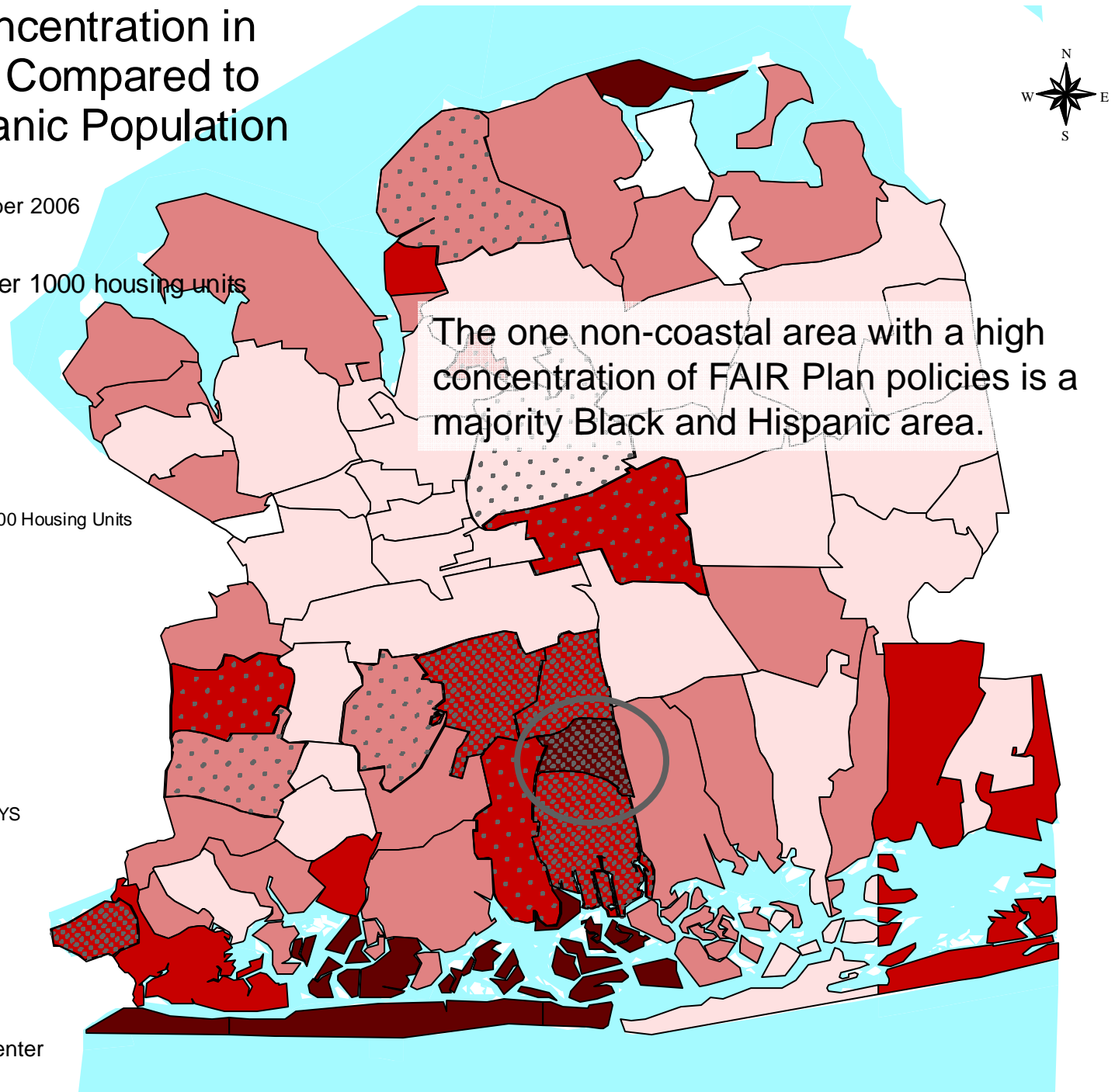
No FAIR Plan Policies

Residential FAIR Plan Policies per 1000 Housing Units

-  0 - 2
-  3 - 5
-  6 - 22
-  23 - 138

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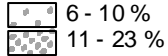


FAIR Plan Concentration in Nassau County Compared to Vacancy Rate



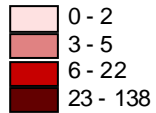
Number of Policies in Effect Per 1000 Housing Units
October 2006

Vacancy rate



No FAIR Plan Policies

Residential FAIR Plan Policies per 1000 Housing Units



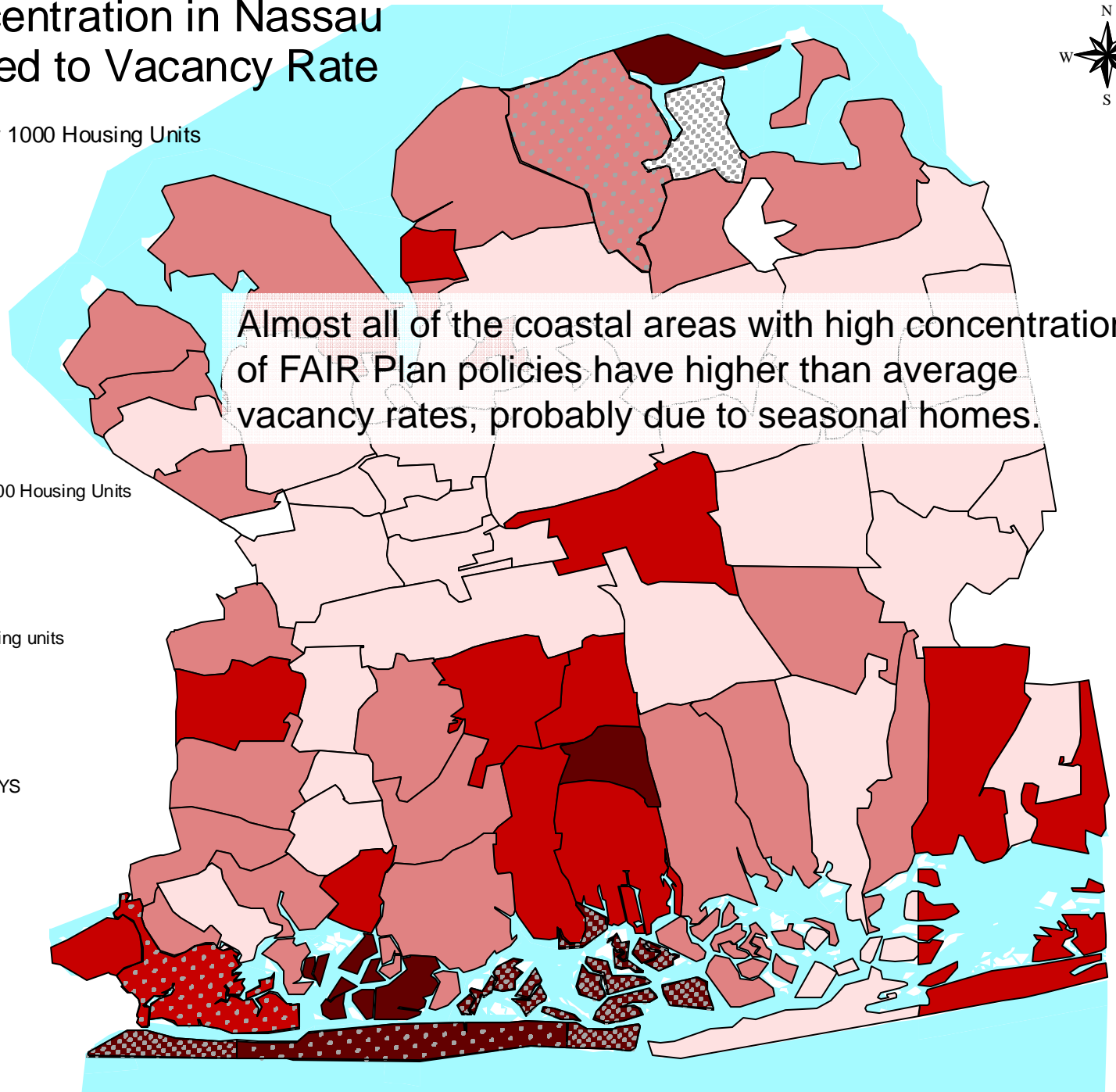
Average policy rate = 22 per 1000 housing units

Average vacancy rate = 5 %

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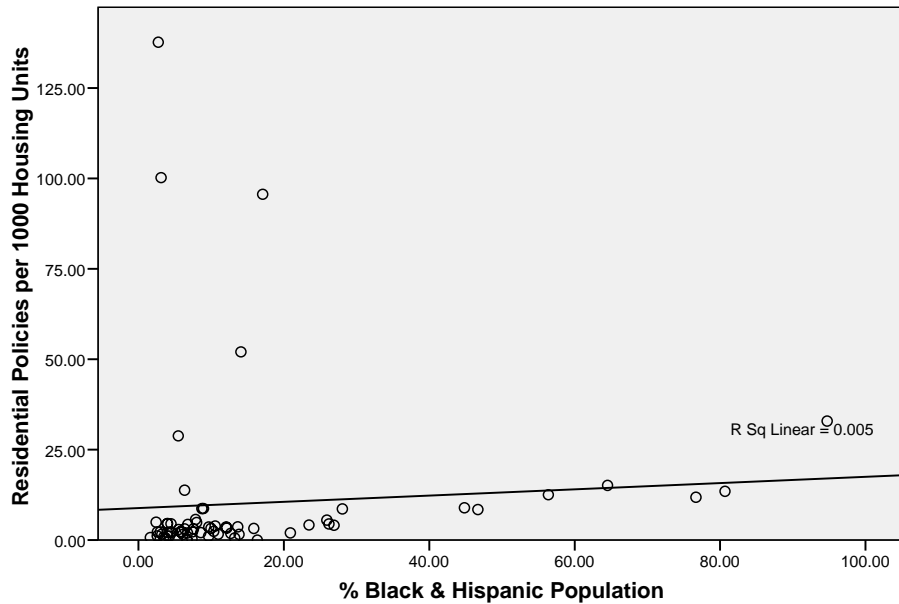
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Almost all of the coastal areas with high concentrations of FAIR Plan policies have higher than average vacancy rates, probably due to seasonal homes.

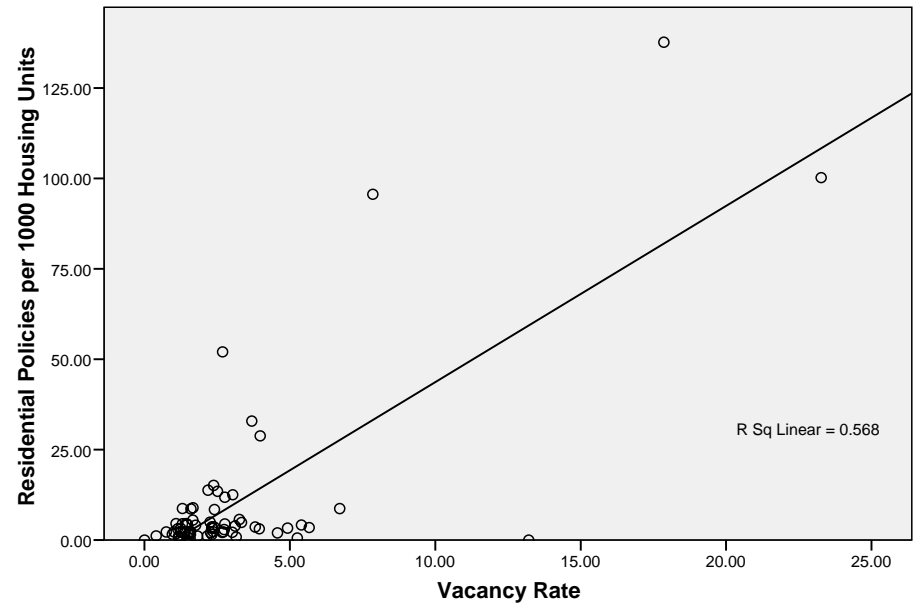


FAIR Plan concentration in Nassau County is related to the vacancy rate but generally not to the % of Blacks and Hispanics.

Comparing FAIR Plan Concentration in Nassau County to % of Blacks and Hispanics



Comparing FAIR Plan Concentration in Nassau County to Vacancy Rate



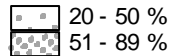
The Impact of FAIR Plan Concentration in Nassau County on Areas with Black and Hispanic Homeowners



As of October 2006

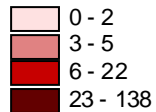
All of the areas where at least 20 percent of the homeowners are Black and Hispanic are areas with higher concentrations of FAIR Plan policies.

% homeowners who are Black or Hispanic



No FAIR Plan Policies

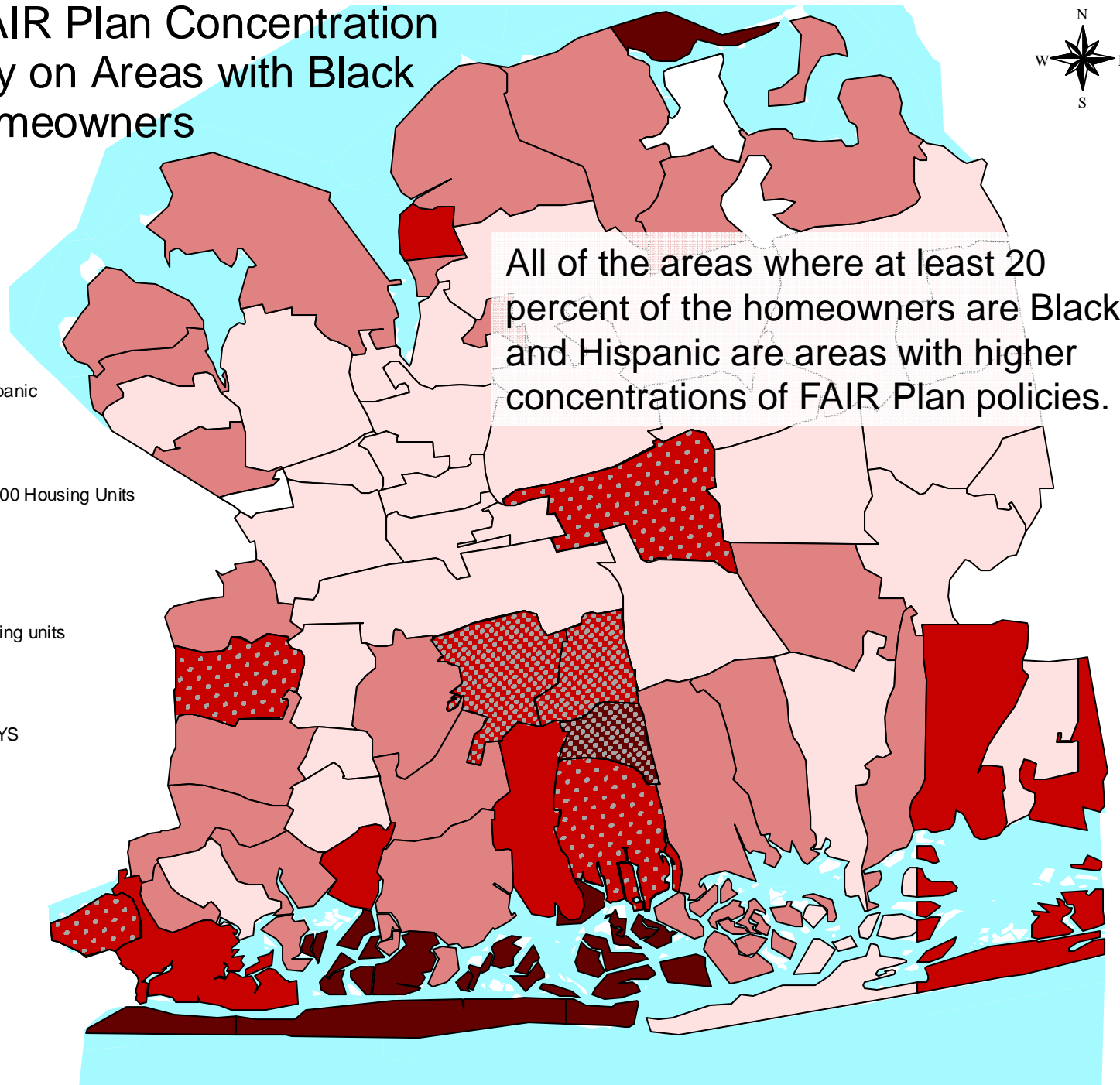
Residential FAIR Plan Policies per 1000 Housing Units



Average policy rate = 22 per 1000 housing units

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Summary: Factors related to FAIR Plan concentration (in order of importance)

■ Monroe County

- % Blacks/Hispanics
- Vacancy rate
- Poverty rate

■ Onondaga County

- % Blacks/Hispanics

■ Kings, Queens and Richmond Counties

- Vacancy rate
- Poverty rate
- % Blacks/Hispanics
- Median housing value

■ Nassau County

- Vacancy rate
- Median housing value

Conclusion: The concentration of FAIR Plans is...

- Related to different factors in different areas of the state
- Related to vacancy rates in many areas of the state, but not always
 - The vacancy rate is not related to FAIR Plan concentration in Onondaga, Albany, Schenectady and Rensselaer Counties nor in New York and Bronx counties
- Often related to the % of Blacks and Hispanics or % of Black and Hispanic homeowners, particularly outside of Long Island

Conclusion, continued

- Higher concentrations of FAIR Plan policies in certain communities in New York State, particularly Black and Hispanic communities, suggest problems that need to be addressed
 - These areas may have less access to quality, affordable insurance from the private market

Discussion

- Empire Justice's analysis raises red flags as to which communities have access to insurance
- Analyzing policies written on the residual market only suggests areas of concern
- We need better information as to where, and to whom, standard insurers are writing policies

Recommendations

- New York needs a residential property insurance data disclosure law
 - Eight states already require some form of data disclosure with a geographic identifier
 - (California, Illinois, Maryland, Massachusetts, Minnesota, Missouri, Texas, and Wisconsin)
 - Massachusetts' experience has been that no insurer has exited the market or lost statewide marketshare due to the state's data disclosure requirements

Recommendations, continued

- The country's experience with the 35 year-old federal Home Mortgage Disclosure Act (HMDA) requiring disclosure of mortgage, applicant and property information by lenders shows that data disclosure works -
 - For the industry, and
 - For our communities

The success of mortgage lending disclosure

- HMDA has led to...
 - Increased business opportunities for lenders in currently underserved markets, including
 - Pinpointing which markets are underserved
 - Increased access to credit by traditionally underserved communities

What insurance data disclosure would mean for New York

- Our experience with HMDA and Massachusetts' experience with its insurance data disclosure law leads us to conclude that
 - In addition to the ability of insurers to develop new products for, and increase their marketshare in currently underserved markets,
 - Homeowners would have better access to quality, fairly priced insurance

About Empire Justice Center

- Empire Justice Center is a statewide, multi-issue, multi-strategy, non-profit law firm focused on changing the “systems” within which poor and low income families live.
- With a focus on poverty law, Empire Justice undertakes research and training, acts as an informational clearinghouse, and provides litigation backup to local legal services programs and community based organizations.
- As an advocacy organization, Empire Justice engages in legislative and administrative advocacy on behalf of those impacted by poverty and discrimination.
- As a non-profit law firm, Empire Justice provides legal assistance to those in need and undertakes impact litigation in order to protect and defend the rights of disenfranchised New Yorkers.



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