BEYOND DISCRIMINATION

Racial Inequality in a Postracist Era

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PART IV | Economics and Markets

Chapter 9 | The Ghetto Tax: Auto Insurance, Postal Code Profiling, and the Hidden History of Wealth Transfer

Devin Fergus

> ZIP-code profiling in insurance has been one of the most tenacious forms of discrimination. For decades good drivers in Black residential neighborhoods have been charged more. Basic economic fairness should mean that my driving record, not my ZIP code, would shape [my] premium. This history of economic discrimination must end, and the new regulation [Proposition 103] is a long-overdue step in that direction.
>
> —James Lawson, SCLC of Greater Los Angeles

IN THE RECENT health care debate, President Obama and his conservative critics such as George Will found rare common ground by appropriating auto insurance as the model for health insurance, whose reform the president called "key to turning around the economy" (Associated Press 2009). For African American and Latino consumers, however, holding up auto insurance as a triumph is a deeply troubling rewriting of history, one that buries from public memory the hidden consumer tax inner-city and inner-ring city motorists—disproportionately female, African American, and Latino—have paid since the 1970s, when auto insurance became mandatory in most states. This hidden consumer tax totals as much as $20,000 over the driving span of a typical urban motorist.[1]

A part of a larger "ghetto tax," auto insurance rates are primarily based on one's postal or ZIP code rather than one's driving record.[2] In California, for example, millions of urban motorists pay higher premiums to insurers than nonurban motorists with the same driving record. Collecting revenues from urban drivers, auto insurers such as California's largest, State Farm, effectively passed these savings on, in the form of lower rates, to suburban and exurban drivers. This form of redlining (a term appearing regularly in the trade publication *National Underwriter*) costs urban drivers millions each year.

Although insurers insisted their postal code calculus was color blind, no one denied the disparate racial impact of these policies. As a result, California motorists living in mostly black or Latino neighborhoods are typically charged substantially more for the same amount of auto insurance provided to drivers from white communities. Car insurance in black neighborhoods, for example, costs 37.5 to 83.5 percent more than in communities populated primarily by non-Latino whites. In real dollars, the biggest auto insurers charge a good driver an additional $537 to $974 per year for moving from a mostly white to a black neighborhood. Similar subsidies exist in the more populous Northeast, where drivers with inner-city ZIP codes typically pay as much as $400 more each year than similar suburban drivers. As insurers profiled drivers by postal code, in what I term PC profiling, they effectively contributed to the redistribution of wealth in California and nationally. In California alone, in 2006, urban motorists living in middle- and lower-income communities paid the state's largest auto insurer, State Farm, approximately $204 million more in auto premiums—a subsidy then passed on in the form of reduced insurance rates to individual motorists living in wealthier neighborhoods with equal or worse driving records (Consumers Union 2006b). This chapter examines how auto insurance serves as one example of the hidden, taxes-in-kind that have driven racial wealth disparity in recent decades.[3] Required by law but provided exclusively by the private sector on a for-profit basis, auto insurance is often a forgotten piece in the financial puzzle of the wealth gap.

My analysis of Proposition 103, an effort in California to control rising insurance costs, interweaves key themes introduced in this volume, including the limits of individualism, postracialism, and the ongoing explanatory power of racial discrimination as a causal factor in the persistence of the racial wealth gap. As is shown in chapter 5 in this volume by Dorian Warren, who excavates the chronic underemployment and unemployment experienced by Latinos and African Americans, labor markets serve as an important driver of racial inequality. By focusing on expenses or consumption, rather than employment and income, my chapter, similar to Oyo Kwate's, also in this volume (chap. 11), balances the political economic ledger. It does this by providing an inside view of the color-blind mechanisms that perpetuate discrimination in auto insurance pricing, uncovering how even race-neutral policies in consumer pricing extracts financial resources from communities of color and thus exacerbates the racial wealth gap. This stands in distinction from employment, in which the primary discernable pattern, according to Warren, is racial exclusion that persists in "limiting employment opportunities for African Americans and Latinos regardless of education." On the consumption side of the ledger, captive racial consumer markets are often about inclusion, though in high-cost terms—a practice often termed "reverse redlining"—rather than exclusion.

Several of the key themes emerging in this chapter—most notably, interest convergence of suburbia and central cities along with hidden racial tensions cloaked by explicit money and policy arguments—builds on the new suburban history. As a subfield of urban history, the new suburban literature has sought to complicate earlier narratives, which tended to highlight the crushing class conformity, racial homogeneity, and intractable conflicts with central cities. In particular, recent scholarship has pointed toward the dialogue that often existed inside metropolitan America, while at the same time capturing the racial, ethnic, and class complexity often overlooked by previous scholars. Scholars have also sought to bring the state back in—through explorations of the role money and policy play in exacerbating racial and class inequality. To quote Kevin Kruse and Thomas Sugrue, the editors of *New Suburban History*, "In postwar metropolitan America, where you lived has determined your access to goods and services and how much they cost in the form of taxes" (Kruse and Sugrue 2006, 6).

My work expands this construction of formal taxation, as articulated by Kruse and Sugrue, limning the mechanisms that perpetuate and protect the network of informal shadowy subsidies, described herein as a ghetto tax, that central-city residents pay for goods and services, which are often used to offset the costs of wealthier and less deserving residents outside the inner city. Although they have been effective at putting the state back in, historians have still been slow, relative to other social scientists, in considering how race, deregulation, and consumer financial issues beyond housing entwine in a post–civil rights period to have an outsized impact on the lived experience of African Americans since the 1970s. With deregulation as its backdrop, this chapter exposes the hidden and subtle ways urban America and inner-ring suburbia pay more and how color-blind mechanisms (for example, the use of postal codes in auto insurance pricing) serve to expose the stickiness of race.[4]

THE POLITICS OF POSTAL CODE PROFILING

On the eve of the post–Cold War era in 1988, America found itself embroiled in a crisis of national identity later known as the culture wars. That year Colorado, Arizona, and Florida placed on their ballots immigration and English-only initiatives. In Michigan and Arkansas, abortion dominated election conversation. For Maryland, the issue was gun control, the National Rifle Association, and a ban on cheap hand guns; in South Dakota, voters debated whether to accept gambling. Yet of all the hot-button social issues that have dominated domestic discourse since the late 1980s, none was more costly and hotly contested, according to the national television news networks, than the so-called insurance wars (*ABC Evening News* 1988). With drivers required by law to purchase auto insurance, in almost no other realm did government touch so many pocketbooks (*ABC Evening News* 1988).

With the world's eighth largest economy and a population 50 percent greater than any other state, California was where the future happened first. That was certainly the case with Proposition 103, a package of auto insurance reform initiatives passed in 1988 with the popular intention of pegging pricing to a driver's record while disentangling pricing from factors unrelated to driving, such as ZIP code and marital status.[5] Civil rights and consumer groups, national media, and policy makers anticipated that Proposition 103 would provide a model for the nation. Believing as California went so would go the nation, more money poured into the state to defeat Proposition 103 than either of the presidential candidates, George Dukakis or George H. W. Bush, spent on their campaigns for the California vote that year. Yet despite 103's passage, for the next generation the insurer status quo prevailed, in California and throughout the country, and with it the continued redistribution of wealth. But Proposition 103, what the *Wall Street Journal* once anticipated to be "the next populist revolt," did not produce the results expected.[6]

Since 1986, California motorists had watched their insurance rates go up 58 percent, giving them the third highest rates in the country by 1988. In an effort to stave off escalating insurance costs, consumer activists launched Proposition 103.[7] Proposition 103's main provisions stipulated, among others, a rate cut for policyholders, an independent regulatory agency to oversee the industry, and an elected insurance commissioner. But no feature of Proposition 103 proved more popular among consumers or more troubling to insurers than its stipulation that insurance be based primarily on one's driving record, not territorial factors.

Insurers contended that Proposition 103 was seeking to remove the free market from pricing. As insurers' logic went, the ballot's stated initiative—"to encourage competition in the insurance marketplace"—was based on the false premise that high rates were the consequence of an insurance monopoly that ignored related costs like hospital expenses, auto repairs, and litigation. More generally, insurers argued that they were a private business, which needed to safeguard industrial trade secrets like how rates

were calculated. The architects of Proposition 103, in insurers' view, signaled yet another example of socialism and the desire to have the state further encroach on the sanctity of the free enterprise system, empowering government to set rates, not just review them (National Underwriter 1992–93). "What [103 proponents] actually want is a state takeover of the insurance business." On the particularly controversial issue of postal code profiling, insurers argued there was "wide agreement among actuaries that territory should have a greater weight than is allowed by Proposition 103."[8] Arguing that it had the objectivity of science on its side, the industry contended its statistics-driven analysis stood in stark contrast to the rights-based appeals of 103's civil rights and consumer advocates, for whom emotions ostensibly outweighed evidence. Backers of 103 believed, as the industry adviser and Berkeley law professor Stephen Sugarman explained, "It simply isn't right for individual motorists to be ruled by the impersonal tyranny of actuarial science."[9]

While Proposition 103 would not have abolished territorial rating, requiring only that insurers put greater weight on merit-based driving, insurers interpreted any concession to diminishing postal codes in formulating rates as a difference without much distinction.[10] An insurance industry spokesperson charged that Prop 103, by overturning ZIP code profiling, was bent on "seeking to redistribute wealth" in California and, potentially, throughout the nation.[11] The insurance industry, envisioning California as the firewall state in which to stop any potential national consumer backlash, outspent 103 proponents $65 million to $2.3 million.[12]

In the campaign's final stretch, insurance companies waged a fierce financial battle. Up to 70 percent of its October campaign budget went to negative advertising. These ads targeted Proposition 103, claiming its passage would lead to wealth redistribution to Los Angeles–area drivers by unhinging auto insurance from postal codes. Insurers put much of their money behind a series of spots that attacked 103 with the tag line, "Why should we pay more so Los Angeles can pay less?"[13] The ad contended that a rate hike for a majority of California's drivers would result if Proposition 103 succeeded in "eliminating rate-setting based on claims within ZIP codes." Such television attack ads ran statewide except in the heavily minority media markets of San Diego and Los Angeles.[14]

Nationally, what made the 1988 insurance wars the most contested issue in California and the costliest nonpresidential campaign in U.S. history was not merely the fear of uncoupling postal codes from rate pricing; it was also the fear of the ripple effect should the proposition pass. Californians had watched their rates jump in the 1980s, and other states experienced similar hikes at the hands of insurers, making the rate increases an issue in more than a dozen states at the time, which offered either ballot initiatives or legislative reform. As it spread, the most popular provision of 103 among consumers was reform of postal code profiling. Territorial rating as a political issue would, in the aftermath of the election, take hold in Ohio, Florida, Maryland, and Pennsylvania; drivers in Cleveland, Miami, Baltimore, and Philadelphia paid more than their statewide averages.[15] New York was also fairly typical. There, 79 percent of drivers living in the Bronx's urban core were assigned to the high-cost risk pool versus 41 percent of the rest of Bronx motorists and 16 percent of the rest of the state.[16]

It was anticipated that if the reform measure passed in California, similar if not more aggressive rate-cut initiatives might sweep through other states. Fearing a national ripple effect, in which insurers risked losing billions of dollars, the $60 million or so insurers spent in its California campaign, from January through the November 8 election, was considered a smart, preemptive investment. Given the national implications, nearly three times as much was spent on trying to defeat 103 than on any single campaign in California history, and the biggest financier came from outside the state, the Illinois-based State Farm, which gave $3.6 million.[17] Despite unprecedented contributions (in both financial and in-kind spending as insurance workers allocated more than $2 million in man hours) and eroding popular support for Prop 103, insurers failed to completely close the gap, remaining behind in three major statewide polls.

On November 8, voters narrowly approved Proposition 103, by 51.1 to 48.9 percent. Despite the razor-thin margin, the election was not as close as the final numbers might suggest. The electorate clearly favored 103 above the other insurance options on the ballot that year. No other initiative received more than 42 percent of the yes vote. For example, the major insurer no-fault initiative, Proposition 104—requiring motorists to collect from their own insurance companies, regardless of who caused an accident, limiting contingency fees for plaintiffs' attorneys, and preventing more-stringent state regulation of the insurance industry—was rejected 3-to-1 by voters.[18] In this way, Proposition 103's victory signaled perhaps an unparalleled historic moment in modern proposition movements: a progressive proposition cause that was backed by civil rights, consumer, and immigrant groups and met with democratic approval.

So who voted yes for Proposition 103? And where was Proposition 103 most and least popular? Los Angeles County voters provided Proposition 103 the margin of victory with a 600,000 vote margin. The proposition faired worse outside the Bay area in Northern California.[19] As expected, urban and inner-city motorists in Los Angeles, San Diego, and San Francisco intensely supported Proposition 103. But the crucial swing vote tended to be a suburban couple, often married with children, and white. They backed the measure believing doing so would result in having their own insurance rates cut. The promise of Proposition 103 stemmed from its unifying consumer appeal. The proposition galvanized the average California consumer against moneyed interests in ways that previous initiatives, which often pitted whites and suburbia against racial minorities and the inner city, had failed to do. Nor did those arrayed against it fit neatly into preconceived patterns. Dianne Feinstein offers one example. Feinstein, the former mayor of arguably America's most liberal city, San Francisco, not only backed the insurance bill of Proposition 104; she cowrote it. Generally regarded as more anti-consumer than most ballot choices, Proposition 104 capped noneconomic damages and restricted future regulations on the industry.[20]

Nationally, the competing reactions of Wall Street and Main Street captured the clash of interests distinguishing finance capitalists from consumers. On Wall Street, markets reacted with a stock sell-off of publicly traded auto insurance companies as insurers saw their prices drop. Meanwhile, in the afterglow of the 103 victory, consumer groups from thirty states contacted proposition architect Harvey Rosenfield's office to inquire how to launch a voter revolt of their own.[21] As the *Wall Street Journal* editors braced its readers, Proposition 103 augured America's next great populist revolt on the coattails of auto insurance.[22] But insurers had more fight left than either the *Wall Street Journal* or many Proposition 103 supporters anticipated.

Within twenty-four hours, the auto insurance industry struck back. The very next day, Wednesday, November 9, the nation's sixth and ninth largest insurers, Travelers and the Fireman Fund, respectively, announced they would stop writing insurance in California and pull out of the state altogether.[23] Meanwhile others, including Safeco, GEICO, and the market leader State Farm, stopped writing good-driver policies for new customers; instead, regardless of record, they shunted them off to subprime subsidiaries, where new policyholders were charged rates as high as 60 percent more than premiums paid by existing holders.[24] By November 15, eighteen of the fifty-seven largest insurers had rejected all new applications or stopped accepting auto insurance at all.[25]

Insurer stonewalling contributed to rising apathy and disaffection, especially among voters of color. According to one study of the next major election season after 103's passage, the June 1990 primaries, three out of four eligible adults did not vote. Usually reliable older voters signaled the loss of confidence.[26] "I just got fed up," said one retired man, sixty-eight, from San Pablo. "We passed Proposition 103, and then they're fooling around with it" (Robert Reinhold, "Apathy and Disaffection on the Rise among California Voters." *New York Times*, June 12, 1990, p. A14). Given that seniors, the most reliable voting segment, increasingly found themselves disaffected from the political process, the stalled implementation of 103 could only help further depress turnout among minorities (Asian, African American, and Latino), who represented 30 percent of the state's adult population but, on average, only 15 percent of voters. Conversely, white voters over the age of sixty typically made up 30 percent of actual voters while representing only 21 percent of voting-age Californians.[27] If noncompliance characterized insurer response to Proposition 103 before 1995, the industry was only emboldened by the upset election victory and tenure of Charles Quackenbush, a Silicon Valley Republican assemblyman, as state commissioner of insurance.

THE STICKINESS OF RACE IN POSTAL CODE PROFILING

Insurers consistently claimed the intent of their policies was color blind, but the stickiness of race remained an inescapable if submerged theme. By *stickiness of race*, I mean that though language, culture, and citizenship, as well conceptions of the undeservedness, often function as discrete categories of discrimination in their own right, they may also serve as proxies for race (Espinoza and Harris 1997). The intertwining of race with these proxies appeared pivotal in 1994, when insurers seized the political-cultural moment to help elect Charles Quackenbush as the state's first-ever elected insurance commissioner, tipping the scales away from the favored Latino candidate, East Los Angeles Democrat state senator Art Torres, to the long-shot Quackenbush, who would ultimately be captured by the very businesses he was charged with regulating.

How much Torres's late-campaign collapse is tied to that year's highly controversial ballot battle, Proposition 187, may never be fully known. Still, it would be naïve not to take Prop 187 into consideration. Prop 187 made it illegal, among other things, to offer undocumented immigrants such public services as education and nonemergency medical care. Whether intended or not, many read a racialized subtext encoded in this initiative, seeing the proposition as intended to rescue white Californians not so much from the undocumented immigrant, which this proposition officially targeted, as from the sense of siege many whites felt amid a rising presence generally of immigrants of color, especially Latinos—be they legal or not. That the highest-profile Latino running for office in 1994, a time of heightened racial tensions between non-Latinos and Latinos in California, was bidding to become the state's next insurance regulator did not help Torres's bid for commissioner. Equally important was an October infusion of insurer financing, totaling nearly 75 percent of all money spent. Insurance dollars underwrote a series of anti-Torres television ads, which branded the Latino from Los Angeles as too sympathetic to criminals and the "king of special interests."[28] Such attack ads paid huge dividends, according to Field Poll reports. Before the ads, Torres had maintained a double-digit advantage since the primaries; after their airing, he fell permanently behind Quackenbush (Lipsitz 1998, 47–55).

In addition, as a microcosm of Democratic losses nationally, Torres was swept up in the on-rushing Republican electoral tide, which in 1994 lifted the GOP to newfound control at the federal and state levels. In Congress, Republicans ruled for the first time since 1952. In the states, Republicans possessed a majority of governorships for the first time in three decades while taking control of a majority of state legislatures for the first time in fifty years. The national Republican tide helped to end California Democrats' twenty-five-year majority in the state assembly. Business-friendly GOP candidates running for statewide office rode this electoral tidal wave as well—despite the fact that registered Democrats outnumbered Republicans 2-to-1 in California (Thomas 2006). All this boded well for the insurance companies.[29] Not surprisingly, the industry exhibited less will to abolish postal code profiling under Chuck Quackenbush, whose victory was, in the editorializing words of the *Sacramento Bee*, "bankrolled" by insurers.[30]

Quackenbush took office in January 1995, and his first thirty days confirmed civil rights and consumer advocates' worst fears. He enacted a series of new emergency regulatory measures that gave insurance companies even greater authority to base rates on criteria primarily unrelated to driving safety records; rolled back consumer-friendly settlement arrangements; and deployed the stalling tactic of calling for further hearings on auto insurance rather than implementing the exhaustive report of his predecessor, John Garamendi, whose study of 10 million policyholders was generally regarded as the most thorough of its kind in California's history.[31]

From this point, the new regulatory commissioner spent much of his remaining tenure shifting premium burdens and costs away from corporations onto consumers. While the growth in overall rates, adjusted for inflation, slowed down from 1994 to 1996, rates increased twice in three years during the mid-1990s, Quackenbush's time in office. But nothing remained more guarded under a Quackenbush regulatory regime than ZIP code–based profiling. California's new insurance head actually tightened the tethering of rates to where one lived rather than how one drove. He did so by allowing geographical factors, such as an area's average wage and income level, to be used in computing rates.

In response, three of California's largest cities successfully filed suit against redlining policies in March 1998. Los Angeles, Oakland, and San Francisco filed suit "to force Quackenbush to put an end to that subterfuge," which, in the litigants' words, freed insurers to actually deepen its "regulations" (Consumers Union 1998; Spanish Speaking Citizens' Foundation, Inc. et al. v. Quackenbush 1998). These cities represented more than 8 million Californians. City attorneys were joined by Consumers Union, Southern Christian Leadership Conference, and the Spanish Speaking Citizens Foundation.[32] Latino and black civil rights organizations saw ZIP-code redlining in the historic vein of centuries-long discriminatory practices and charged Quackenbush with colluding with insurers in perpetuating economic hardships and disfranchisement of minorities. "California needs leadership from the insurance commissioner in ending unfair ZIP code rating," proclaimed Genethia Hayes, the executive director of the SCLC of Greater Los Angeles.[33] The veteran civil rights activist James Lawson would add years later, when the case was still tied up in courts because of insurance interposition, "This history of economic discrimination must end" (U.S. Newswire 2006).

At the heart of the lawsuit against Quackenbush was the charge that the commissioner continued the discriminatory practice known as redlining by allowing insurers to give too much weight to ZIP codes. So how did such "voodoo mathematics" ("Auto Insurance: 3 Cities Sue Over ZIPCode Redlining." *Los Angeles Sentinel*, April 15, 199, p. A1), as plaintiffs dismissed it, work? The 103 law required that rates be based primarily on three mandatory factors within a motorist's control, in decreasing order of importance: driving safety record, annual mileage driven, and years of driving experience. Insurers were then permitted to use up to sixteen optional factors if they "had a substantial relationship to risk of loss" (Cal. Ins. Code sec. 1861.02). These optional factors could not have a greater impact on rates than the mandatory factors approved by the electorate.

Under Quackenbush, however, regulations allowed insurers to take an average of all optional factors, rather than awarding individual numerical weights for each optional factor. In this way, the public and consumer advocacy groups never could determine how much weight was given to neighborhood factors. By using this averaging method, insurers were able to give a high weight to nondriving factors such as ZIP code, gender, marital status, and school grades, thereby masking the actual value these specific factors were assessed. Exactly how much numerical weight was given to ZIP code was unknown, because it, along with gender, then combined with other factors given extremely low weights. Thus when averaged the mean weight for all optional factors could be less than any of the three mandatory factors of driving record, miles driven, and experience—allowing ZIP codes to still have an inordinate impact. Such statistical sleight of

hand by the industry under Quackenbush kept the public in the dark, as consumers never quite knew how much postal codes factored into a company's decision.

It was estimated that Quackenbush's ZIP-code rate calculus exacted a financial cost well into the millions for urban and working-class motorists—among a segment of Californians assumed to be least likely to possess either savings or investments. For example, a twenty-two-year-old male driver in South Los Angeles (formerly South Central) paid quadruple ($7,844) what a San Luis Obispo citizen did ($1,706) over his lifetime, despite identical driving profiles. Oakland experienced a similar disparity, between upscale Montclair ($3,398) and Fruitvale ($4,417). Quackenbush's unwillingness to challenge postal code profiling, which allowed these disparities to exist in contravention to 103, compelled city attorneys from these respective cities to act. As James Hahn, Los Angeles's city attorney who turned mayoral hopeful, said, "What Quackenbush has done is undermine the will of the people, who overwhelmingly voted to enact Proposition 103, by letting insurance companies hide the ball on redlining practices."[34]

Allowing the industry's silence on trade secrets to prevent full disclosure signaled another significant way in which Quackenbush protected auto insurance redlining. At issue were voter will and the public's right to know versus the corporate right to privacy. These matters had a direct bearing on postal code profiling. Data was considered essential to track redlining, for without it, it was unclear how much race, gender, and geography inequitably affected rates. One intent of Proposition 103 was to remedy insurer secrecy: it required insurance commissioners to collect insurance pricing and other underwriting information and to then make this data available to the public, thereby bringing greater transparency to redlining and its weight in rate-setting practices. But Quackenbush's lack of vigor in enforcing the full-disclosure provision allowed insurers to continue PC profiling.[35]

CAMPAIGN FINANCE REFORM, 1998–2000

The reality was that PC profiling was inseparable from campaign finance. With Quackenbush up for reelection in 1998, insurance dollars drowned out his opponent with a flood of television and radio campaign ads. At least a dozen insurance companies with direct interest in his office's decisions donated to Quackenbush's coffers. Outspent by approximately 4-to-1 and down by double digits, Diane Martinez, a three-term Democratic assemblywoman, had no plans to run any television ads to catch her opponent in the final days, as Quackenbush had done to beat Torres four years earlier.[36] Heavily indebted to insurers, Quackenbush began his second term by repaying his benefactors, making it easier for insurers to drop drivers for minor violations. In a state where insurance is mandated by law, this new "driver cancellation" policy had the net effect of rerouting hundreds of thousands of motorists into the highly lucrative subprime (predatory or high-risk) auto insurance market.

By the time Quackenbush resigned from office in 2000 to avoid impeachment, he faced a surfeit of scandals charging him with waiving up to $3 billion of industry fines in exchange for campaign contributions.[37] Even the insurance industry had accused him of extortion. "He's the most egregious example we have currently with respect to elected officials raising campaign contributions from those they regulate or have an impact on with respect to legislation," Tony Miller, California's former secretary of state turned campaign reform advocate, told reporters.[38]

The problems transcended Quackenbush. They were systemic. Moneyed interests transformed Quackenbush, a Notre Dame graduate, Air Force veteran, and Silicon Valley entrepreneur into a corporate vassal whom campaign finance reformers named Exhibit A. His detractors claimed that Quackenbush provided the best public case of money's influence shaping policies and tainting politicians. Yet before taking office as commissioner, Quackenbush spent a decade as a state elected official without a hint of financial scandal. As a primary candidate, Quackenbush was one of the few Republicans running on a platform of rejecting industry money, telling the *San Diego Union Tribune* in 1994 that taking company money is "like handing a loaded gun to the Democratic strategists. . . . They'll just accuse you of being bought and paid for by the industry."[39] That Quackenbush—a likable moderate Republican regulator, once thought to have a bright political future—morphed into California's "most egregious example" of an elected official taking campaign contributions from an industry he is supposed to be regulating illustrates how special interest money in the political system distorts social policy and democratic will. Even the free market–friendly *The Economist* summed up the relationship as too corrupted by conflicts of interest: "Surely it is a little absurd to allow insurance commissioners to raise money from" those they regulate (*The Economist* 2000, 28).

A state audit in the fall of 2000 seemed to corroborate this view. To summarize the fifty-seven-page report, lax enforcement under Quackenbush was the result not of independent policy considerations but of political and personal financial payoffs. Under Quackenbush, obfuscation replaced transparency—preventing "policyholders and consumers from obtaining critical information about the business practices of insurers," concluded the auditors (Howard 2000). By refusing to enforce full disclosure, Quackenbush enabled insurers to continue profiling motorists based on ZIP code. Despite an eighteen-month investigation of and guilty plea by his deputy commissioner, federal, state, and county prosecutors believed they lacked sufficient evidence to indict Quackenbush.[40] Voters themselves shouldered blame. Preoccupied in the 1990s with more hot-button cultural issues like Propositions 187 (immigration) and 209 (affirmative action), abortion, and flag burning, voters paid little attention to the erosion of oversight, though the insurance issue directly affected more than 20 million Californians—a far greater number than immigrants, African Americans, pregnant women, or those burning flags in the state.

REDISTRIBUTION AND RISKY BUSINESS

Throughout the 1990s, the insurance industry resisted the implementation of Proposition 103. A frequent claim advanced by insurers was that attempts to end PC profiling was little more than a socially engineered effort to redistribute wealth to the least deserving driver. Under Proposition 103, the state's leading insurance lobby wing, by claiming that the majority would subsidize the minority of bad and uninsured drivers, allowed it to seize rhetorically on contemporary cultural critiques about rewarding society's undeserved. The fact remained, however, that insurers' bottom line hinged on defending values that conservatives, moderates, and a growing number of liberals at the time found most objectionable: namely, the privileging of social factors and identity politics over individual merit.

First, from the view of the state's leading insurance trade group, the Association of California Insurance Companies, rescinding the territorial rating system was tantamount to wealth redistribution. "Examples abound as to what happens when government arbitrarily tries to control the price of products and services," said Jim Snyder, the president of the Personal Insurance Federation of California (PIFC), a trade association whose members included California's largest insurers. Government intervention would result in a "mass subsidization" program, according to three of the nation's largest insurance trade associations. From insurance consortiums like PIF, the Association of California Insurance Companies, and the National Association of Independent Insurers, merit-based initiatives like Proposition 103 "would result in discriminatory pricing by, in effect, forcing subsidies for high-risk drivers at the expense of others" (National Underwriter 1995, 7).

Second, the high-risk driver was the least deserving, insurers contended. Under any alteration, the drivers ostensibly behaving badly—including the motorists without insurance, with a higher incidence of traffic accidents and citations, sometimes with subprime credit, or with a personal history of making bad life choices that often resulted in her or his living in a poor neighborhood—stood to be the primary beneficiaries of any insurance reform.

Third, insurers were concerned with more than redistributing wealth and rewarding risky behavior. As they saw it, good drivers stood to be victimized by such social engineering. Adhering to Proposition 103 would result in "a giant subsidy program that would force good drivers . . . to pay more for their auto insurance so bad drivers could pay less," wrote Barry Carmody, the president of the Association of California Insurance Companies, in a 1995 op-ed column.[41] Appropriating the contemporary language of victimization, Carmody expanded his analysis in a second op-ed one month later, saying that 103 punished merit to reward the unworthy. Citing a study of one of California's largest insurers, Carmody claimed that insurers stonewalled Prop 103 not to protect their profit margin but to protect the deserving driver: "66 percent of California's bad drivers would get rate decreases while 53 percent of the good drivers would see their premiums increase."[42] If rates were too high, Carmody concluded, it was because so many Californians remained uninsured, as high as 14 percent by some estimates. The "uninsured motorist problem in the state . . . penalizes people who buy insurance with an additional financial burden." For Carmody, "It all boils down to fairness . . . pure and simple."[43]

Proposition 103, according to industry insiders, sacrificed fairness at the liberal altar of equality. Insurers impressed on suburban and exurban motorists that they were the victims of a liberal regulatory elite that rewarded the bad behavior of mostly urban drivers. Proposition 103, then, fit part of a larger pattern, in which the worthy majority of society ended up paying the social costs for the personal failures of society's most undeserving—in this example, uninsured motorists and insured motorists unable or unwilling to move out of impoverished neighborhoods.

INDIVIDUAL MERIT VERSUS IDENTITY POLITICS

In fact, throughout the history of PC profiling, auto insurers had highlighted the importance of social factors and identity over individual motorists' merit. This was the case in 1962, when George Joseph, the founder of Mercury General Corporation, helped pioneer the use of neighborhoods and ZIP codes in calculating rates. By the 1970s, privileging social forces had become a state and national mainstay in auto insurance pricing (Wallace 2006). Environmental factors outside an individual driver's control—traffic congestion, local litigation rates, auto thefts, accidents, higher medical and car repair costs, and the like—explained rate differentials

among neighborhoods. But for the insured with clean driving records, such as Brendan Mulholland, a forty-year-old Oakland geologist debating whether to move two blocks away, where his new ZIP code would save him 20 percent every year on his auto insurance, the issue was how territorial rating resulted in the unintended consequence of undermining the ethos of individual merit: "The whole premise of basing auto insurance premiums on locality as opposed to individuality is wrong."[44] For insurers, however, arguments about individual merit were, in the view of one industry consultant and expert, "strange" (Wallace 2006).

Not that the insurance industry did not endorse a version of merit. Rather, insurers and their lobbyists offered consumers a fundamentally competing notion of merit; one where "merit" considered forces beyond a motorist's control. "The problem," as Carmody explained, was that consumers devalued social forces. "For instance, should rural drivers pay more for insurance even though they cost far less to insure than drivers who live in congested cities where accidents and lawsuits are far more frequent? . . . And should older people pay more so young people can pay less?" (Barry Carmody, "Redistributing Car Insurance Rates." *Sacramento Bee*, April 19, 1995). The identity politics of postal codes more than individualism ultimately informed the industry's governing philosophy. Such typecasting resulted in the ghettoizing of policyholders. The ghettoization of policyholders was most likely an unintended consequence of insurers' desire for what the industry considered a less expensive, more cost-effective system of determining insurance policy rates, which would yield higher profits and larger dividends for their stockholders.

Ghettoizing motorists in this way conformed to a wider contemporary trend, increasingly taking hold after the mid-1970s, to openly appeal to and profit from cultural segmentation among American consumers. This trend was characterized by a move away from mass marketing, and a two-decade color-blind approach, to isolating markets. Key, according to the social and economic historian Lizabeth Cohen (2003), was psychographics—a new technique introduced by marketers and social scientists who, building on earlier demographic variables of age, education, race, and gender, began applying newer profiles around the values, lifestyles, behavioral traits, and attitudes of targeted consumers. Psychographics worked from the assumption that it was sound science and business to charge consumers more because of the risks they posed and choices they made, such as "choosing" to live in unsafe neighborhoods (read *lifestyles*), cultures, or communities. In these new isolated markets, neighborhood profiles or behavioral traits, as opposed to race, for example, took on greater explanatory power. Narrowcasting incorporated (or reincorporated) disaffected groups into the commercial marketplace. But these new isolated markets did not mature under the watchful eye of the federal government; instead, this newfangled practice of targeting publics came of age amid the greatest period of lax regulation in the twentieth century (Cohen 2003, 292–328). This was particularly acute in the financial services industry, where women and blacks, having equal legal access to auto insurance and equity lenders for the first time, nonetheless found themselves marketed and steered to high-cost loans and insurance.

Creating a cultural taxonomy enabled lobbyists to tap another dominant motif of the 1980s and 1990s: the ostensible moral failing of society's undeserving who, through poor personal decisions, perpetuated a collective culture of poverty. The system was already "unfair," wrote Carmody, in that it rewarded bad behavior. "It is bad enough that we have a major uninsured motorist problem in this state, which penalizes people who buy insurance with an additional financial burden. Now, Rosenfield [Prop 103's creator] is asking many of those same insured drivers to shoulder an even greater insurance cost so that bad drivers and others can pay less" (Barry Carmody, "Redistributing Car Insurance Rates." *Sacramento Bee*, April 19, 1995). "This is a matter of fairness. . . . Those who cost the system more should pay higher premiums. Those who cost the system less should pay lower rates" (Carmody 1995). Yet the solution the industry habitually turned to was more based more on sociology than on individual drivers; the insurers' common refrain was that miles driven, years of experience, and driving record were inadequate factors to accurately judge insurance risk.[45] Bias was built into insurance, Carmody acknowledged elsewhere: "Some subjectivity—business judgment—must be allowed in the business of insurance so long as that subjectivity is fairly applied by individual insurers" (Howard 1997)

As insurers saw it, the motorists who were least deserving were those who made bad life choices, such as living in poorer neighborhoods. The general counsel for the Association of California Insurance Companies, Jeff Fuller, echoing its president, told reporters, "We do not discriminate on the basis of race, wealth, national origin." On the contrary, Fuller admonished media, it was risky personal behavior that explained the rate gap. "Insurance is all about discrimination. It's all about discriminating between different risks."[46]

Beyond disputes of the likely victims and beneficiaries of Proposition 103, insurers' focus on "fairness" may have also delayed solving what the association president regarded as the major problem for motorists: uninsured drivers. By 2004, with 25 percent of the state's motorists lacking insurance, California had the second highest rate of uninsured motorists in the United States and well above the national average rate of 14.6 percent.[47] Insured drivers generally stood to benefit from lowering the premium barrier for poorer motorists in poorer communities, many of whom could not afford the higher auto insurance premiums, because lowering premiums would have translated into insuring more drivers. This, in turn, would have had the broader effect of spreading risk by increasing the pool of the insured and thereby reducing premiums for all drivers—young and old, women and men, rural and urban. For policyholders at least, it is cheaper to cover 50 percent more drivers than none of the uninsured at all. "This issue . . . has serious economic implications," insisted Oakland's city attorney, Jayne W. Williams. Heightening the bar to entry, she added, "will push many residents of lower income neighborhoods in Oakland out of the automobile insurance market."[48]

GENDER AND GEOGRAPHY

Nowhere was insurers' willingness to subsume individualism arguments under social factors and identity politics more apparent than in relation to gender. Insurers had regularly insisted that ameliorating postal code profiling would result in women drivers paying more.[49]

Since the 1980s, the insurance business lobbied hard to uphold gender as a factor in rating in the United States and Canada, charging that its elimination would unfairly hike rates for women drivers.[50] In 1983, when Congress debated antidiscrimination legislation to prohibit sex categorizations in insurance, the American Council of Life Insurance chimed in, strongly objecting to the presentations of politicians and the press. It was not only harmful to the industry, according to the council's president, but it would most likely have "a severe economic impact" on women, who "pose very different risks."[51] "Women will suffer," another East Coast lobbyist predicted three years later, when Pennsylvania looked at ending sex-based classification in auto insurance.[52] Yet groups such as the National Organization for Women and the League of Women Voters saw the continuation of gender-based pricing to be an insurance shell game—a hidden tax in which women, under the current system, had their rates lowered in one category of insurance only to pay a much steeper rate in another. Ultimately, women actually paid more.

Consider auto insurance pricing. Women paid proportionally higher costs than they would have in a system based, for example, on miles driven each year, because they drove less than men. "The insurance industry's refusal to use mileage as a rating factor continues discrimination against all low-mileage drivers and costs women in Pennsylvania over $100 million per year in overcharges," the National Organization for Women's state chapter president asserted. Perhaps more significantly, gender-neutral laws would most likely be applied not just in auto rating but throughout the entire insurance pricing process, where classifications based on sex continued, including for pensions, annuities, and health care. Insurers cared less about women-protectionist policies in these three areas of insurance practice, in which women generally paid more than men. In overcharging women as low-mileage drivers and penalizing them as women, the National Organization for Women and the League of Women Voters concluded, insurers preferred identity over merit because they deemed identity-based rating more profitable.[53] Consequently, billions might be lost if the insurance business ended gender categorization in insurance.

What also eluded industry experts was the correlation between gender and poverty. Because more women than men tend to live in poverty, particularly single mothers, more women stood to disproportionately benefit from ending postal code profiling. Consider ZIP code 93234 in the Central California community of Huron, where the median household income was reported to be $25,521. There, three out of four households in poverty were headed by women. Similarly, in 93701, Fresno, where more than 90 percent of households earned $50,000 or less (and the median household income was $14,213), female householders with children under the age of eighteen accounted for 70 percent of families living below the poverty level. Poverty figures were consistently bleaker for females with young children, as was the case in 93615, another Central California town, where the median household income was just $26,694. Although less than one-half of female-headed households with children under eighteen lived below the poverty level, almost two out of three female households caring for children aged five or under lived in poverty.

In contrast, wealthy neighborhoods, such as America's most famous ZIP code, Beverly Hills's 90210—where 36 percent of households in the 1990s made $200,000 or more and the median household income was $112,572, placing it in the top 1 percent in the state—had only 18.1 percent of households headed by females with children under eighteen living below the poverty level. In the wealthier 92067 San Diego suburb of Rancho Santa Fe, where median household income was $196,298 and nearly one-half of its population made $200,000 or more, not a single female-headed household, with or without children, lived below the poverty level, according to the 2000 U.S. Census (U.S. Bureau of the Census 2003).[54] Even in poor neighborhoods with sizable white populations, women suffered. In Van Nuys, for instance, whose population was approximately one-half white and female, full coverage for a woman with twenty-two years of driving experience cost $943 more per year than full coverage for a similar woman driver in Pasadena (Consumers Union 2006a, 5). Nationally, women, who possessed less wealth and earned roughly eighty cents to the dollar paid to a man, were also far less likely to live in better neighborhoods with lower territorially rated insurance premiums. This, combined with women's general lack of access to credit, limited women's residential opportunities. More significantly, the language of Prop 103 never struck down the use of gender in the rate formula, allowing insurers to use gender while minimizing territorial ratings.

The industry's gender argument belied the lived reality of motorists in black or Latino communities as well. For example, a twenty-two-year-old female driver with a perfect driving record—that is, no accidents, no tickets—who drove her 1996 Acura primarily to go to work paid, on average, 12.9 percent ($152) higher premiums to California's three largest insurers (State Farm, Farmers, and Allstate) if she lived in a predominantly Latino ZIP code and 59.7 percent ($704) more in a black ZIP code than a female with the same driving profile living in Huntington Beach.[55]

BEVERLY HILLS 90210 VERSUS INGLEWOOD 90301

Although insurers typically regarded any reform in ZIP code profiling as "artificial," few disputed the disparate racial impact of perpetuating postal code profiling.[56] Black and Latino poor motorists paid more. But fearful of being accused of taking race into account in calculating premiums, the insurance industry insisted its process was color blind. "Insurance companies don't use race as part of their rating criteria," said Carmody's successor, Sam Sorich, the president of the Association of California Insurance Companies, in 2005, though he noted that "territory is a significant factor."[57]

Those who wished to undo postal code profiling were, according to one former George H. W. Bush administration official turned independent insurance broker in San Antonio, Texas, nothing but social engineers. Agents are knowledgeable and practical field underwriters, he said, not "liberal social engineers who crafted 103 and who are now planning to implement a similar socialist medicine in Texas," using the regulatory environment to overturn insurance's natural order.[58]

Of course ZIP codes, the most contentious tool used by insurance practitioners in determining rates, were anything but "natural." Rather, the modern American ZIP (zone improvement plan) code system was a European import: it was invented in Germany in 1941 to expedite wartime communication and adopted domestically in the United States in the early 1960s, by a federal regulator with the U.S. Postal Service—the very metonym of the built environment, socially conceived by state planners to reduce mixed-use spaces.[59] Once the coding was insourced by the government, direct-marketing theoreticians adapted it for the private purposes of market segmentation, as marketers, vendors, and salespersons "narrowcasted" specific commercial products, from music to auto insurance to consumers.[60] In this way, ZIP codes stood as the very instantiations of artificial man-made creations, the socially conceived designs of town planners, such as regulators and professors, and what suburban scholars such as Robert Fishman (1989, ix, 206) have dubbed the "built environment."[61]

Although others agreed with the insurance industry that location should matter in setting premium rates, they contended that ZIP codes were an ineffectual predictor. Instead, the exhaustive findings of one expert risk-assessment firm, based on 15 million policyholders and 2 million claims, discovered that the best indicator of risk to carriers involved landmarks. Landmark theory contended that the most accurate determinant for insurers was what publics were served in a particular communal space. "While ZIP codes may be convenient and necessary for speedy mail delivery, they are not a particularly good predictor of property/casualty insurance losses," the study concluded (PR Newswire 2005, 1). Rather, car theft, vandalism, and auto accidents were a far more likely occurrence around landmarks like restaurants or bars. Conversely, the greater number of houses of worship—mosques, synagogues, freestanding and storefront churches—in a neighborhood, the lower the likelihood of auto accidents (and thefts) in the area (Liedtke 2005; PR Newswire 2005).

Certainly urban black America is rife with cheap restaurants and bars, and the prevalence of these establishments helps to partially explain the inflated premiums. Few would deny this. That said, the black (and Latino) urban landscape is equally dotted with mosques, churches, and day care facilities that, based on place-based socioeconomic characteristics, should have some deflationary influence on pricing premiums. But it apparently does not. As Michael Stoll and Paul Ong demonstrate in their study "Why Do Inner City Residents Pay Higher Premiums?" race and income remain major determinants in what people pay. Even after neighborhood-based primary (claim and loss rates) and secondary (accident and crime location statistics) risk factors, both typically used by insurers, were taken into account, simulations conducted by Stoll and Ong (2008, 7), looking at independent contributions of both risk and redlining factors, reveal that traditional redlining (not place-based risk factors such as the presence of bars or churches) "explain more of the gap in auto insurance premiums between black (and Latino) and white neighborhoods and between poor and nonpoor neighborhoods." In sum, legitimate place-based factors may have played a role in pricing discrepancies, but apparently so did race.

Years later the California Department of Insurance revealed that insurers misled the public by actually altering its evidence: "Insurers had manipulated their own data calculations to make the claim" that some drivers would see massive rate hikes if postal code policies were abolished (U.S.

Newswire 2006). Yet this truth could be concealed, especially under Quackenbush, who opposed public disclosure of pricing and other underwriting data—information thought essential in tracking auto insurance redlining. For without this evidence, it was virtually impossible to ascertain whether or how large a role ZIP codes and other nonindividual factors played. In not pressing for full disclosure from the insurance industry, then, Quackenbush failed to enforce another key provision of 103, which required that all information submitted by insurers to the commissioner be available for public inspection. Only after Quackenbush left office in 2000 would his successor press insurers to follow the law by releasing pricing and other data.[62] The industry's foiling of 103 was, in no small measure, tied to industry representatives' talents in branding 103 with the hot-button cultural issues of the mid-1990s, particularly affirmative action and the ostensibly undeserving minority who reaped benefits from the majority.

The stakes were so high because it was anticipated that other states would follow California's model. California was not the only state where the insurance industry waged a struggle over this issue by appropriating language of individual merit, personal responsibility, and social redistribution. In Texas, an equally fierce battle over rate pricing was emerging. Industry insiders feared 103-like measures might migrate to the Lone Star State. One state insurance board member, responding to 103-like proposals in Texas, declared that under the proposed system, careful drivers would see premiums rise, and that "the majority, in effect, would be forced to subsidize the minority." Insurance, he opined, is "not a social distribution system."[63] Yet the reality, as one midwestern underwriter admitted, was that "all insurance is a game of subsidies." "The question," he added, "is who is going to subsidize who?"[64] In state after state since the 1990s, the uniform answer to the subsidy question rested largely on where one lived, not how one drove. In other states, the merit issue hinged not just on identity and social factors but on factors equally unrelated to driving merit, such as whether the motorist had a college degree or a prime credit score.

The industry embedded the insurance debate in a larger context of a minority critique—corresponding with the cultural contemporary moment when affirmative action, immigration, and welfare dominated the political rhetoric, a moment in which critics charged that personal responsibility and merit were subsumed under the principle of equality and that policies such as Proposition 103 stemmed from social engineering goals of regulators. Thus though zip codes were not as socially charged as race, insurers and their supporters invoked familiar narratives of the 1980s and 1990s. Ironically, their argument for personal responsibility and merit—essential traits of individualism—was belied by an insistence on PC profiling and identity politics.

What motivated insurers to adamantly support the continued use of social factors in determining insurance rates may never be completely known. Three reasons seem most plausible. First, insurers feared that altering the calculus—by favoring individual motorists merit over broader social and environmental forces—would result in lowering profits. Second, it is likely that insurers were motivated by the rhetoric and debates of the time. Whether by accident or design, insurers saw their struggle through the lens of the cultural-political debates of the 1980s and 1990s and the fight against "social engineering" and subsidizing the "undeserving poor," even though the territorial rating system itself was predicated on PC profiling, which relied heavily on a different set of social engineers.

Last, the dim prospects for cross-selling partly explain why insurers maintained the use of social factors, fearing 103 might take a bite out of their business's bottom line. Like other consumer financial services, the insurance industry targeted motorists who would most likely renew policies or buy additional consumer financial products and services. On cross-sells, insurance agents were willing to "eat" or amortize front-end expenses over a longer period for the existing customer, since by cultivating such loyalty they might persuade the client to buy a range of other products (for example, home insurance, annuities, life insurance), which promised to yield lucrative, long-term financial rewards. For insurers, the industry-wide perception was that such future cross-sells were far less likely to be made to urban, working-class, or minority insurance shoppers. Viewing these as transient transactions, insurers charged higher expenses for PC-profiled consumers, out of a belief that the company would be unable to recoup their initial transaction and service costs with additional sales over time.[65]

Cross-sells grew exponentially more lucrative after 1999, when the landmark Gramm-Leach-Bliley Act freed insurers and other financial institutions to merge or create subsidiaries across the financial service sectors. For the first time since the Great Depression, banking and insurance companies could merge. This change permitted financial conglomerates to make cross-sells for a variety of financial products to their customers. An insurance agent could now sell an existing customer a mortgage or home equity loan on top of his or her car insurance. But for the PC-profiled driver, it certainly did not provide greater consumer financial product information, as was expected. In fact, the one-stop shopping allowed by financial deregulation would only further diminish the incentive for insurers to offer lower rates to postal code–profiled drivers (Wells and Jackson 1999, 2, 5, 8).

HYPERDEREGULATION, FRAMING, AND REGULATORY CAPTURE

A set of causal mechanisms has helped to sustain postal code profiling. They include hyperderegulation, cognitive and ideological framing, and relational mechanisms, also called regulatory capture, exemplified by the changing relationship between vested interests and political candidates (Tilly 2001). These mechanisms may not have been responsible for creating the disparity in rate pricing, but they have been critical in perpetuating it.

Take, for instance, the impact of hyperderegulation. A broader climate of a laissez-faire approach toward regulatory enforcement and unfettered capitalism made it nearly impossible to rein in the abuses of the free market even after consumers had overwhelmingly voted for regulators to do so. Indeed, no branch of government assumed itself accountable to see that vote realized. The state's lawmakers stood silent while the interpreters of law actually rolled back some of the provisions of California's Proposition 103. The chief enforcer of the state's law, Governor George Deukmejian, widely considered to be hostile to regulatory policy, stood idly by, refusing to throw the weight of his office behind the new commissioner through either his enforcement powers or the bully pulpit. The courts lacked the enforcement powers to compel insurers or regulators to act. Disillusioned and overwhelmed, some consumers gave up on reforming the rating system altogether, and weariness set in relatively early. According to a 1989 poll by Mervin Field, though a substantial majority of the 1,007 Californians polled liked 103 (62 percent, versus 20 percent who thought the law a bad idea), only 29 percent believed they would ever see rate rollbacks under the new law.

Nationally, the lack of implementation of 103 most likely dampened optimism in other states that postal code–based pricing could be easily abolished. Whereas thirty states initially expressed interest in reforming the territorial rating system in November 1988, that number dwindled to a fraction of this figure once implementation of 103 stalled. Instead, consumer organizing gave way to individuals accommodating themselves to the rating system. In Pennsylvania, for example, one Pittsburgh neighborhood banded together and petitioned to be rezoned rather than demand that the rating system be changed. Meanwhile, better-off Coloradans, concerned about the possibility of price hikes in auto and possibly health insurance, fought against having their ZIP code folded into a neighboring ZIP code, thought to be in a less desirable part of northwestern Denver.[66]

The epicenter of opposition to the territorial rating system, though, may well have been America's Motor City, where Detroit residents paid an average of $1,200 more each year for car insurance. "[Unaffordable insurance rates] is the most common complaint that I hear from my constituents," according to Morris Hood III, the ranking member of Michigan's House Insurance Committee (No Author Given, "Plan to Lower Insurance Rates Gains Momentum." *Michigan Chronicle*, August 17–23, 2005, p. A1). Rather than attempt to reform the rating system, however, half of Detroit drivers engaged in individual acts of personal resistance, operating cars with no insurance, as compared with roughly one in ten Michiganders. Individual resisters included the press secretary of Detroit's embattled mayor Kwame Kilpatrick, who was caught illegally registering his vehicle under a false suburban address.[67] "There is absolutely no benefit at this point for people [in Detroit] to purchase insurance," said Detroit state house member Nelson Saunders.[68] These and other actions kept in place the disparate pricing without changing or challenging structural inequality.

For opponents of 103, a climate of hyperderegulation also made the job of ideological framing much easier. Corporate interests, in particular, couched their opposition to 103 as part of a wider struggle about the fundamental role of government in society. Specifically, insurers claimed that 103 signaled the latest example of "creeping socialism," in which the state actively sought to redistribute wealth from the deserving to the undeserving. (Such postulates ignore the initiative process, which gave consumers a direct say in the actions taken by government.) Before such fears of creeping socialism and wealth redistribution could fully resonate with motorists, insurers needed to satisfy their immediate concern over increasing costs. Thus insurers gave in on one-time rate rollbacks and refunds. By granting drivers a one-time rollback or refund, insurers could then have greater support (or, at a minimum, less opposition) to keeping intact their system of postal code–based pricing.

Immediate rate relief enabled more industry-friendly ideological frames to come to the fore. Insurers, for example, capitalized on the imagined geographic space of California's inner cities, which was often described as populated by society's least deserving citizens. Trade groups played on the unfounded perception that California's suburban and farm families were being forced to foot the bill for the undeserving inner-city motorist. The Association of California Insurance Companies and other industry reps touted public opinion polls that showed "almost 7 out of 10 persons feel it is unfair to make suburban and rural residents pay higher auto insurance premiums to subsidize those living in urban areas" as proof of yet another example of the drain urban America was on the rest of society (Personal Insurance Federation of California, American Insurance Association, and Association of California Insurance Companies 2003). Such framing aimed

to undo (or at least neuter) Proposition 103 by exploiting the perception of a predominantly white, suburban majority being made to subsidize an undeserving urban minority.[69]

Relational forces are a third mechanism at play in the story of Proposition 103. By *relational factors* I mean factors that alter the connections between groups (for example, regulators and insurers). What experts underestimated was the increasing importance in the mid-1990s of corporate funding of political campaigns (Fields et al. 1990). Charles Quackenbush's campaign and tenure as insurance commissioner personified "regulatory capture." A long-shot candidate to win the general election in 1994, Quackenbush was catapulted ahead of his rival by the infusion of insurance money. Indebted, Quackenbush spent his time in office defending insurance interests over those of the consumers. Even in the rare instance when he did collect regulatory settlements, Quackenbush often applied the funds to public relations efforts, including paying for political polls and advertisements to further prop up his political career.[70] Ironically, experts had predicted in 1990 that changing the office of insurance commissioner to an elected post, rather than one appointed by the governor as it had been, would lessen the possibility of regulatory capture. In fact, it probably made candidates more beholden to the industry. As the story of Quackenbush showed, a financial service sector driven by a high-stake interest in the outcome of social policy and possessing the means to capture a state regulator could easily overwhelm weak campaign finance laws.

Stymieing 103 in California effectively shut down similar ballot initiatives elsewhere. Insurers nimbly elided implementation of Proposition 103 by offering token discounts and one-time rebates to consumers. Rates dropped further for consumers in California than in any other state. For corporations, acceding to a one-time rate rebate and modest price reduction enabled them to keep intact a far more lucrative scheme: the territorial rating system. Today, auto insurance continues to be pegged primarily to where one lives rather than how one drives. Postal code profiling has continued to perpetuate one of the most surreptitious policies of wealth redistribution in our society, helping us understand why, even in moments when income gaps among whites, women, and minorities have closed or remained the same, the wealth differential has widened in the United States over the past quarter century.

AUTO INSURANCE AND THE RACIAL WEALTH GAP

Auto insurance offers a window into the persistence of racial wealth disparity in America. According to a U.S. Census report, by 2002 the wage gap between blacks and whites had actually shrunk by 3 percent since 1979 (DeNavas-Walt, Cleveland, and Webster 2003, 22–23). Yet despite closing income gaps between minorities and whites and between women and men, racial and gender wealth disparities between these same groups have widened over the same time.

If income does not explain the wealth gap, what mechanisms do? Sundry nonincome mechanisms affect wealth accumulation: family inheritance, stocks and long-term investments, mortgage and home equity markets, and pensions and other savings vehicles.[71] These factors are often overlapping, complementary, and mutually reinforcing. Each has exacerbated the racial wealth gap. Perhaps the most familiar example of interlocking causality is family inheritance and housing. Scholars, notably sociologists such as Thomas Shapiro and Melvin Oliver and economic historians such as Robert Margo and William Collins, have pointed out that family inheritance has made a significant difference in housing, the single most important way families accumulate wealth. Unearned inherited wealth has the capacity to lift individuals and families beyond their own achievements. It also can shed light on the racial wealth gap. White families are four times more likely than African Americans to receive an inheritance, and the median inheritance is ten times greater for white families (Fessler 2011).

Given that an inheritance is most commonly used for a down payment on a house, the economic advantage of inheritance for homeownership goes a long way in explaining blacks' inability to close the racial homeownership gap, which shrank by only 1 percent between 1910 and 2007—a disparity that persisted despite the narrowing of racial gaps in income and schooling. Family inheritance also makes a measurable difference in the racial asset gap, as most family assets come by way of generational transfer. Despite the boom years of 1990s, blacks in 1999 were still twice as likely as whites (54 and 25 percent, respectively) to live below the asset poverty line (Shapiro 2004, 2–4; see also Collins and Margo 2011).

The legacy of white racial advantage also suggests that housing parity has been resistant to antiracist federal action since the Fair Housing Act of 1968. Although blacks are far less likely to own homes, black wealth is, nonetheless, principally tied up in home equity. Consequently, the plummeting home values since 2007 have disproportionately affected them and Latinos. Figures from before and after the recession of 2008 to 2011 paint a grim picture of the disappearance of three decades of gains since the civil rights era in the span of little more than three years: in early 2008, before the recession, the average minority family owned ten cents for every dollar owned by the average white family. Today that ten cents has been reduced

to a nickel. Beyond blacks' heavy asset concentration in homeownership at a time of plummeting home values, there are other interlocking causes, notably, asset allocation. Not nearly as leveraged in housing as racial minorities, whites' assets included long-term pensions, mutual funds, and the stock market. Most of these investments have largely rebounded from the nadir of 2008 (Kochhar, Fry, and Taylor 2011). By contrast, the housing market has not. Whites' diversified portfolios, along with higher unemployment among blacks and Latinos, have exacerbated the racial wealth gap (Keister 2000).

The interlocking causes of inequality in insurance and other financial vehicles are aptly illustrated by the largest publicly held insurer in the country, MetLife. By actively soliciting blacks more than any of its competitors, MetLife was also the nation's leading carrier of black policyholders throughout much of the twentieth century. But it sold blacks different, more costly products. By the 1960s, MetLife's disparate pricing policies touched every aspect of finance in which it interacted with black policyholders, including stock options, pensions, and health, life, and, of course, auto insurance. Race-based practices of the company resulted in blacks receiving higher premiums and lower stock options. Nonwhites were frequently subjected to more complicated application processes that yielded smaller, more expensive policies that carried fewer benefits. Insurers justified charging more to blacks as a hedge against their not keeping up with their payments—a problem for companies that feared losing money if policies lapsed, because sales commissions were paid up front. Understandably, MetLife feared this would affect its bottom line. Racial distinctions then were regarded as a catch-all that automatically took all such factors into account in a simple, inexpensive way.

By 1966, a decade before the 1976 federal law barred race from being taken into account when setting the terms of contracts, the industry's leader had already begun the shift; it simply replaced race with what MetLife internal memos began to call "area underwriting." "Area underwriting can be put into practice before the introduction of the revised application forms which will not have a question on race," one MetLife actuary stated at the time. Thus area underwriting became the preferred race-neutral language adopted in every sector of its business, including car insurance. The net result was the same as it had been during the race-negative language days: a disparate impact on blacks in the more than ninety cities in which area underwriting was used. (High residential segregation in MetLife strongholds like Newark, New York, Washington, Baltimore, Detroit, and Chicago made this strategy easier to carry out.) Millions of these older policies remain in force well into the twenty-first century. Insurers may have had nonprejudicial reasons for initiating and continuing its disparate treatment, but the effects persist.[72]

Auto insurance is only one part of the broader crisis of a growing wealth gap. But it can also be reimagined as a contributing solution to the problem. One such potential solution might be to apply savings taken from reform of the territorial rating system and to individual development accounts (IDAs). For a typical urban motorist living in South Los Angeles, California, this could mean that as much as $974 each year (the differential amount insured drivers pay in predominantly African American and Latino ZIP Codes, according to the Consumers Union (2005) would be placed each year in an account for a specific investment purpose—for example, a down payment for college or a house, a retirement account that would remain invested until at least the age of sixty-five. Government or insurers might even consider providing matching funds as is typically done with IDAs. It might also consider making the program tax exempt to offset the fact that middle- and low-income wage earners—the target population of TRS reform—pay a much larger share of state and local taxes than wealthier families, according to a 2013 distributional analysis of the tax systems in all 50 states conducted by the Institute on Taxation and Economic Policy (Davis et al. 2013). (This would apply only in the forty-nine states in which auto insurance is mandated by law. Insurers would be legally protected, as they have been in California, with the right to earn a minimum nonconfiscatory return.) Individual development accounts were designed to promote savings for the purchase of assets like buying a home, pursuing a postsecondary education, or investment retirement among low-income persons. (Pilot programs have shown remarkable promise in their limited application, substantially increasing homeownership rates from 21.2 percent to 52.2 percent.) Because setup of these accounts is usually accompanied by a host of financial literacy classes and counseling, as well as screenings of suitable mortgage products, IDAs have also been credited with making more economically responsible citizens. Rates of foreclosure and default for IDA homeowners have be much lower than the national average.

Asset-building proponents are now considering ways to expand IDA programs. As just one tool in the IDA tool kit, auto insurance and other hidden taxes more generally might create another important savings opportunity for low-income families with fewer resources. What makes IDAs more attractive than direct cash transfer or redistributive policies such as revenue acts is that they reinforce a Western tradition older than capitalism itself: reward for individual merit.

Bringing a more merit-based system to auto insurance would not only help Americans save via IDAs, but it could also pay a second dividend: higher savings rates have been linked to improving access to postsecondary education, family stability, and economic mobility. The idea that savings from territorial rating system reform could be placed in IDAs underscores the larger point that hidden taxes such as auto insurance differentials are best understood in context—as just one new yet largely forgotten tool in the wealth-building tool kit that is available to state and federal policy makers.

Finally, ZIP codes matter beyond auto insurance as they are factored into housing, working, shopping, and primary and secondary schooling. "The biggest influence on our financial health isn't how much we save. . . . Nor is it the funds we choose in our 401(k) plans," writes Scott Burns, a syndicated columnist specializing in personal finance and investment. "It is our ZIP code—where we buy and own a house. Pick the right area, and your future is golden. Pick the wrong area, and you'll always be behind the folks who happened to buy in the right place."[73] One's ZIP code is often a determinant of employment and consumption, in and even beyond the United States. "I throw away resumes of people who are from . . . Arab or black [neighborhoods]," acknowledged Claude Bebear of the world's largest insurer, AXA. Postal codes often help determine the prices consumers pay at grocery stores, fast food franchises, and retail clothing shops (Graddy and Robertson 1999). Postal codes continue to be a factor in the inequity of funding in primary and secondary education, because, in many states, school district budgets are traditionally derived from local property taxes, whose revenue stream is often attributed to the neighborhood ZIP code.[74]

CONCLUSION

The story of Proposition 103 lies at the confluence of financial deregulation and postracial politics. When first principles of the free market and individualism conflicted, it was markets that appeared primus inter pares (first among equals). Having long pronounced merit the basic building block of Western culture and advancement, most prominently over the use of environmental and identity-based remedies such as affirmative action to right social wrongs, conservatives and many liberals often abetted or fell silent when faced with the erosion of individual merit at the visible hands of the free market. The primacy afforded the free market system not only pierced the myth surrounding individual merit, it also served as the mechanism that exacerbated already existing racial inequality.

Claims of race neutrality by insurers and defenders collapsed under the disparate racial reality. Nothing gave greater credence to the power of race than the failure of arguments predicated on merit, which had been propagated since the early 1970s to oppose affirmative action and other racial remedies, to end the territorial rating system as a primary factor in determining insurance rates. The system was tantamount to a ghetto tax in auto insurance, which enabled the quarantining of consumers of color through postal code–based profiling without ever mentioning race. As a result of this racial subsidy, the premiums of rural and suburban motorists were underwritten by central and inner-city motorists. Over the driving span of the typical motorist, this subsidy costs urban motorists more than tens of thousands of dollars.

In a putatively postracial age, race has had surprising staying power. The stickiness of race was evident in the PC profiling that operated in the consumer finance world of auto insurance. Put simply, it remained "politically correct" to profile based on postal or ZIP code. Although over the past three generations or so, governments, the private sector, and civil society have taken public stances to root out racial, ethnic, sex, age, and religious discrimination and its vestiges from contemporary life, ZIP code discrimination remains both persistent and illustrative of a last refuge of acceptable prejudice in multicultural, free market liberal democracies such as the United States. In America, one's ZIP code may be used by local governments to apportion tax dollars (for example, for public education, rather than according to a parent's income); and despite the outlawing of racial redlining, banks and other members of the financial services industry still deny or charge extra for loans, credit, and insurance premiums to households in low-income or working-class neighborhoods as delineated by their ZIP codes. Postal code profiling assumed greater currency in a post–civil rights world as governments, corporations, and civil society all shied away from making explicit racial arguments for discriminatory policies.

Tax policy sends cultural messages about what sorts of behavior a society values, the economic historian Sheldon Garon (2011, 375) has recently written. America's de facto ghetto tax functions similarly. As the history of Proposition 103 shows, the de facto ghetto tax may well suggest something beyond how wealth is perpetuated in contemporary America. It may well be that the primacy of social factors and policies of identity over the ethos of individual merit is the nation's transcendent value, more interwoven into the fabric of American society than heretofore imagined.

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NOTES

1. The $20,000 amount is based on a 2006 Brookings Institution Report of twelve sampled metro areas (Fellowes 2006, 5, 37). Urban drivers in low- to moderate-income neighborhoods paid, on average, $400 more for twelve months of auto insurance to insure the same car and driver risk as those in higher income neighborhoods. The $400 figure has been extrapolated over a period of fifty years, which is a typical driving span of a motorist.
2. By *ghetto tax* I mean a cryptic collection of fees and charges paid by quarantined consumers who are typically cordoned off by race, age, gender, and geography and, increasingly, by the middle class.
3. Other examples in consumer finance include subprime mortgages, unsubsidized student loans, and shadow retail bank loans by the payday loan and car title industries. There is also a formal tax process of wealth removal and redistribution, which has been widely discussed in the growing body of literature around critical tax theory, led by Dorothy Brown, Beverly Moran, and Katherine Newman, among others.
4. For the distinctive role of history in "setting the record straight" on policy and inequality, see Katznelson (2005, xi).
5. A coalition of community and low-income organizations had actually unsuccessfully challenged California's mandatory auto insurance law, claiming it was unconstitutional to require the purchase of auto insurance without also protecting consumers from territorial rating, which was unaffordable to many poor consumers. Although it was sympathetic to plaintiffs' claim, the court, conscious not to legislate from the bench, stated that it was a matter for the California State Assembly. See King v. Meese, 43 Cal.3d 1217 (1987).
6. David Shribman, "State Legislatures Move to Bring Big Increases in Auto Insurance Rates to a Screeching Halt," *Wall Street Journal*, July 10, 1989, A12.
7. The populists are "gang[ing] up on big interest groups who own state legislatures," commented the initiative expert Thomas Cronin, a Colorado College political scientist and the author of a book on the modern proposition movement. Robert Reinhold, "The Nation: California Has 29 on the Ballot: With Proliferation of Ballot Initiatives, Suddenly Everyone's Interest Is Special," *New York Times*, November 6, 1988, E4.

8. Benjamin Zycher, "Insurance Fraud," *Wall Street Journal*, October 9, 1989, A12.
9. Stephen Sugarman, "Why Prop 103 Will Fail," *San Diego (Calif.) Union*, May 14, 1989.
10. D. C. Carson, "Insurers Smash Their Own Record on Spending in Proposition War," *San Diego (Calif.) Union*, October 8, 1988.
11. Michael Smolens, "Insurance Industry Fears 103 More than Any Other," *San Diego (Calif.) Union*, October 20, 1988.
12. James V. Grimaldi and Jeff Weir, "Car Insurance Sparks 'Initiative Warfare,' 5 Measures on November Ballot Threaten California's 77-Year Old Petition Process," *Orange County (Calif.) Register*, September 18, 1988.
13. Carson, "Insurers Smash Their Own Record."
14. Smolens, "Insurance Industry Fears 103."
15. Sonja Steptoe, "Policy Dispute: Auto Insurers Face Drive by Consumers for Rate Reductions—Rollback Voted in California Spurs Activists Elsewhere; Some Firms Drop Lines," *Wall Street Journal*, November 22, 1988, A1; LaBarbara Bowman, "Group Pushes Insurance Reform in 14 States," *USA Today*, January 11, 1989, 3A; Nora Lockwood Tooher, "California Leads Charge in Auto Insurance Rate Revolt," *Providence (R.I.) Journal*, January 22, 1989; Erik Ingram, "Insurers Buying National Ads to Stem Revolt," *San Francisco (Calif.) Chronicle*, February 20, 1989.
16. Mark Green, New York City commissioner of consumer affairs, "How Minorities Are Sold Short," op-ed, *New York Times*, June 18, 1990, A21; even between predominantly black communities a discrepancy often existed, as was the case in Maryland, where Landover drivers paid $570 compared with the more affluent Mitchellville drivers, who paid $390. See David Montgomery, "For Some, It's All in the Numbers," *Washington Post*, October 4, 1993, D1.
17. Carson, "Insurers Smash Their Own Record."
18. Richard B. Schmitt and Sonja Steptoe, "California's Voters Shake Up Insurers," *Wall Street Journal*, November 10, 1988, 1.
19. Vlae Kershner and Sabin Russell, "Prop. 103 Wins/Insurers Halt New Policies—State Turmoil," *San Francisco (Calif.) Chronicle*, November 10, 1988; Sabin Russell, "Insurers Panic over Prop. 103," *San Francisco Chronicle*, November 10, 1988.
20. Vlae Kershner, "Insurance Industry Accused of False TV Ads about Prop 103," *San Francisco (Calif.) Chronicle*, September 30, 1988.
21. Schmitt and Steptoe, "California's Voters Shake Up Insurers"; see also Historical Data for New York Stock Exchange Composite Index. Available at: http://www.nyse.com/about/listed/nya_resources.shtml (accessed November 2012). From this link you can access the Excel spreadsheet of the Historical Data.
22. Shribman, "State Legislatures Move to Bring Big Increases in Auto Insurance to a Screeching Halt."
23. Kershner and Russell, "Prop. 103 Wins"; Russell, "Insurers Panic over Prop. 103"; Ron Roach, "Voters Revolt, Pass 103," *San Diego (Calif.) Tribune*, November 9, 1988.
24. Jeff Weir, "State Farm Ordered to Hearing on Rate Discrimination," *Orange County (Calif.) Register*, January 27, 1989.
25. Vlae Kershner and William Carlsen, "New Moves in Battle over Prop 103," *San Francisco (Calif.) Chronicle*, November 15, 1988.
26.

> Carriers' campaign of nullification and interposition was successful in part because of an apparent loss of motorist will. . . . Yet five years later, most insurers remained in noncompliance with the court-ordered rebate. Among the most recalcitrant were California's two largest insurers, State Farm Insurance Group and Farmers Insurance Group. Combined, they controlled 40 percent of the California market, and others followed their lead. Many individuals responded like Vincenza Scarpaci, a typical policyholder. Recounting his failed attempts with his insurer, State Farm, Scarpaci told his local newspaper editor that it was fruitless to hold out hope that insurers would comply. Not even the state supreme court's decision to uphold the refund made a difference, for auto carriers "refuse[d] to accept the ruling." The Petaluma, California, resident went on: "I wrote to State Farm to protest its behavior [withholding the rebate]. I received no reply. Instead, this same company that has no profits to refund to policyholders spent another untold amount of money to lobby against Prop 186 this fall. My conclusion: Neither the welfare of the policyholder nor their legitimate concerns are as important to this company as its control over the insurance market and unrestricted profits." Disillusioned, Scarpaci gave up and switched carriers. But having individual consumers switch carriers because insurers selected which laws it opted to obey was no . . . solution to auto insurance in California. . . . [S]uch selective adherence to the courts, by . . . State Farm, was an assault on the principle of law and order.

Edmund Sanders, "Quackenbush: Rebates May Be Small; Insurance Commissioner Backs Away from Pledge to Give Prop. 103 Rollbacks Early." *Daily News* (Los Angeles), March 17, 1995.

27. Robert Reinhold, "Apathy and Disaffection on the Rise among California Voters," *New York Times*, June 12, 1990, A14.
28. Quackenbush political ads, 1994. "Chuck Quackenbush." ID# 60441-60444 in Julian P. Kanter Political Commercial Archive Television Ads, University of Oklahoma, Norman, Oklahoma.
29. Jack Skinner, a Texas insurance broker and former G. H. W. Bush official, celebrated the loss of House leadership by Democrats in Washington. Skinner expected the turnover of Democratic-controlled chairmanships—such as

Henry Gonzalez, chair of banking; Jack Brooks, state supreme court justice, and Daniel Rostenkowski, member of ways and means—to "have a dramatic impact on the way insurance is conducted in the state of Texas." Jim Skinner, "Election Results May Help Texas Insurance Market," *San Antonio (Tex.) Express*, November 20, 1994.

30. "Martinez for Insurance Commissioner, Incumbent Commissioner Bankrolled by Industry," editorial, *Sacramento (Calif.) Bee*, October 17, 1998.
31. Quackenbush claimed that $46 million was owed in refunds to insurers but reserved the right to seek an additional refund of $32 million, depending on 20th Century's losses from the recent Northridge earthquake—an issue that had nothing to do with Proposition 103 and auto insurance. See also Haggerty (1995).
32. Quackenbush's evasion of 103 gave consumer groups and other plaintiffs no choice: "If he won't implement the will of the people, the courts should force him to," a 103 Enforcement Project spokesperson told the press. Rick Orlov, "City Joins Call to End Insurance Redlining," *Los Angeles (Calif.) Daily News*, March 27, 1998, n.p.
33. "Auto Insurance," *Los Angeles (Calif.) Sentinel*, April 15, 1998, A1; Proposition 103 Enforcement Project v. Quackenbush (1998) 64 Cal. App. 4th 1473 [76 Cal. Rptr. 2d 342]; Spanish Speaking Citizens' Foundation v. Quackenbush.
34. Orlov, "City Joins Call to End Insurance Redlining."
35. Quackenbush essentially shared State Farm's and the industry's view that pricing and other underwriting data were trade secrets. Both Quackenbush's replacement and the courts fundamentally disagreed, however. State Farm sued Quackenbush's successor, John Garamendi, to block him from releasing the data. State Farm lost at the lower, appellate, and highest state courts. It brought the California Supreme Court a straightforward suit, which the court later dispatched by unanimously affirming voters and prior judges: insurers "may not invoke the trade secret privilege to prevent disclosure." "Court Upholds Insurance Redlining Lawsuit," *Los Angeles (Calif.) Sentinel*, April 29–May 5, 2004, A5.
36. Eric Young, "Insurance Contest," *Sacramento (Calif.) Bee*, October 19, 1998.
37. "Candidates Accept Insurance Donations," *Monterey County (Calif.) Herald*, October 17, 2002, n.p.
38. Scott Lindlaw, "Campaign-Finance Reform," *San Diego (Calif.) Union Tribune*, April 21, 2000.
39. James P. Sweeney, "Candidates Fight over Insurance Industry Aid," *San Diego (Calif.) Union Tribune*, September 20, 1994.
40. Steve Lawrence, "State Decides Not to Indict Quackenbush," *San Diego (Calif.) Union Tribune*, February 6, 2002.
41. Barry Carmody, "Sacramento—Proposition 103," *San Francisco (Calif.) Chronicle*, September 8, 1995.

42. Barry Carmody, "Fairness Drives Current Insurance System," *San Jose (Calif.) Mercury News*, September 13, 1995, 6B.
43. Barry Carmody, "Change in Auto Rates Could Hurt," *Fresno (Calif.) Bee*, May 1, 1995.
44. Jessica Guynn, "Advocates Seek Reforms on Insurance," *Contra Costa (Calif.) Times*, December 5, 2003, A01.
45. Barry Carmody, "Proposed Rate Changes Hit Good Drivers with Bad News," *Sacramento (Calif.) Bee*, May 21, 1995.
46. Guynn, "Advocates Seek Reforms on Insurance."
47. The Insurance Research Council calculates the uninsured driver proportion using the ratio of claims made by individuals who were injured by uninsured drivers (uninsured motorists coverage) to claims made by individuals injured by insured drivers (bodily injury liability coverage). Colorado's estimate is inflated because bodily injury claims are subject to a $2,500 threshold and uninsured motorists claims are not. In other states, the thresholds are the same. Insurance Research Council (2006).
48. "Suits Filed Against ZIP Coded Auto Insurance Rates," *Oakland (Calif.) Post*, April 8, 1998.
49. "Should young female drivers, who tend to have fewer accidents, pay more even though young males tend to have the greater number of tickets and accidents?" Carmody asked frequently, particularly in op-eds. Barry Carmody, "Redistributing Car Insurance Rates," *Sacramento (Calif.) Bee*, April 19, 1995.
50. Similarly, during the late 1980s in Canada, where auto insurance rates jumped 40 percent in only two years, a public outcry prompted Premier David Peterson to set up an Ontario provincial insurance board, hoping to keep insurance out of the hands of government and primarily a free market enterprise. The board banned insurance companies from considering age, sex, marital status, and physical disability in calculating rates. Women were "losers," according to the board's chair, as they bore the major cost of any readjustment in order to subsidize young male drivers. The Canadian system still allowed non-driving-related factors such as conviction rate and region to be used. Robert Brehl, "Young Women to Pay Higher Car Insurance," *Toronto Star* (Canada), September 2, 1988, A3.
51. Richard Schweiker, "Defective New Insurance Legislation," *New York Times*, November 16, 1983, A30.
52. Stephen Drachler, "Gender-Based Auto Insurance Rates Vetoed by Thornburgh," *Morning Call (Pa.)*, February 22, 1986.
53. "Insure Against Sex Discrimination," editorial, *New York Times*, November 2, 198, A30.
54. Unfortunately, similar characteristics are not available for earlier censuses.
55. Where the ghetto tax appeared the highest was in black communities. One major insurer, for example, hiked up rates 83 percent, an average of $794, more

in some majority black communities. See Press Release, December 20, 2005. "California insurers charge as much as $794 per year more to good drivers living in predominantly Black, Latino Zip Codes." Available at: http://www.consumersunion.org/pub/core_financial_services/002991.html (accessed March 25, 2013).

56. John Howard, "Rules Would Bar Address as Factor in Car Insurance," *Los Angeles (Calif.) Daily News*, May 24, 1996.
57. Sorich replaced Carmody in 2002. Liedtke (2005).
58. Skinner, "Election Results May Help Texas Insurance Market."
59. In 1944 Robert Moon proposed using a three-digit code, which described generally a sectional facility of a region for mail sorting and distributing (for example, 554 for part of Minnesota); two later digits, for larger cities, were added to the three-digit code (for example, 55416 for Minneapolis, Minnesota). Douglas Martin, "Robert Moon, an Inventor of the ZIP Code, Dies at 83," *New York Times*, April 14, 2001, C6.
60. The direct-marketing theoretician Martin Baier, whose name grew to be synonymous with segmentation, published the first article in 1967 on market segmentation using ZIP codes, in the *Harvard Business Review* (Baier 1967), and wrote a college textbook on direct marketing. He then founded the nation's first direct marketing center at the University of Missouri, Kansas City, where he built the discipline by refining the segmentation techniques of sampling, customer valuation, and multivariate and regression analyses. Williams (1988); Baier (1967).
61. For an overview of theories exploring the nexus between race, the built environment, and suburbia, see Pritchett (2005).
62. "Court Upholds Insurance Redlining Lawsuit."
63. Skinner, "Election Results May Help Texas Insurance Market."
64. Jack Norman, "Where You Live Is What You Pay," *Milwaukee (Wisc.) Journal*, May 28, 1995.
65. For a slightly different interpretive view of cross-sells and racial discrimination in the realm of auto insurance, see Harrington and Niehaus (1998, 449, 467).
66. George Lane, "Denver ZIP Code Plan Stirs Concerns," *Denver (Colo.) Post*, Rockies ed., March 11, 2002, B-02.
67. The insurance industry actually put the overall number of uninsured Michigan motorists during this period (1999–2004) slightly higher at 17 percent. See http://www.insurancejournal.com/news/national/2006/06/28/69919.htm (accessed March 31, 2013); Shareef Wright, "Redlining: Detroit Pays More," *Michigan Citizen*, July 5, 2003, p. A1; David Josar, "Police Detain Detroit Mayor's Press Secretary," *Detroit News*, November 3, 2007 [no page number listed or provided].
68. Associated Press, "Insurance law changes are sent to governor, the measure would permit insurers to charge based on neighborhood criteria and not the broader regional data," *Grand Rapids Press*, February 7, 1996, p. B3; [No Author], "Plan to lower insurance rates gains momentum," *Michigan Chronicle*, August 17–23, 2005, p. A1.

69. Cognitive and psychological mechanisms often operate at the individual level, unlike environmental and relational mechanisms.
70. Douglas Heller, "The 'Quack Quake' Is Over," op-ed, *Santa Monica Mirror*, July 23, 2000. Available at: http://cwd.grassroots.com/insurance/nw/?postId=1371&pageTitle=The+%22QuackQuake%22+is+Over%2C+Now+the+Clean-Up+Must+Begin.
71. For the definitive work on savings historically and transnationally, see Garon (2011, 317–64).
72. Scott Paltrow, "Old Memos Lay Bare MetLife's Use of Race to Screen Customers," *Wall Street Journal*, July 24, 2001, A1; Scott Paltrow, "Uncovered Losses: Life Insurers' Race Bias in Decades Past Affects Policyholders Even Now," *Wall Street Journal*, December 26, 2000.
73. Scott Burns, "ZIP, Not 401(K), Is What Makes Your Cash Grow," *Chicago Daily Herald*, May 8, 2005.
74. Though ZIP codes are often referred to in such policy debates as public school funding, it is as a misleading shorthand for neighborhood city boundaries that determine local property taxes. Dan Hardy, Amy Worden, and Nick Pipitone, "Study: PA Schools Need Cash," *Philadelphia Inquirer*, November 15, 2007, p. A1; Ellen Mitchell, "Path to Status: Coveted ZIP Codes," *New York Times*, October 4, 1992, Section 13LI, p. 1; C. T. Bowen, "School Budget Shortfall Faces a New Foe: Apathy," *Pasco Times (Florida)*, May 23, 2012, p. 2.

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Chapter 10 | Racial Segregation and the Marketing of Health Inequality

Naa Oyo A. Kwate

> They drink it thinkin' it's good, but they don't sell that shit in the White neighborhood.
>
> —Public Enemy, "1 Million Bottlebags," 1991

> Why is it that there is a gun shop on almost every corner in this community? . . . For the same reason that there is a liquor store on almost every corner in the Black community. Why? They want us to kill ourselves.
>
> —Furious Styles, *Boyz N The Hood*, 1991

THE DISMANTLING OF state-sanctioned discrimination substantiates in the American imagination the notion of a postracial world, particularly with the election of President Barack Obama. But anyone walking through a black neighborhood knows that the United States is not "postracial." The persistence of de facto segregation in most U.S. cities reminds us that we have not moved beyond the strictures of race. African Americans stand alone in the level of segregation they have faced for several decades in many U.S. cities (Massey and Denton 1993), and though there have been declines in U.S. segregation over time, they are relatively small (Iceland, Sharpe, and Steinmetz 2005) and unequally distributed across race and income groups (Fischer 2003). Moreover, relatively recent policies such as exclusionary density zoning have further contributed to segregation (Rothwell and Massey 2009).

If the modest declines in post–civil rights black-white segregation repudiate the notion of a postracial United States, so too do the sequelae of