

# Consumers Union

1300 Guadalupe, Suite 100, Austin, Texas 78701

Rob Schneider (512) 477-4431 x116  
rschneider@consumer.org

Texas consumers pay more than 71.5 billion every year for insurance on their lives, health, homes, cars, and businesses. Those premiums are invested primarily in stocks, bonds, mortgage loans, and real estate—some in Texas and many in other parts of the nation and world. Though consumers from all over Texas pay premiums—including those in low-income communities—insurance companies do not consistently invest their assets in a way that helps Texas' communities and neighborhoods.

Texas communities are in need of greater investment for small businesses and farms, affordable housing, and other economic development needs. Banks, another major source of investment capital, are already required to address these needs through the federal Community Reinvestment Act (CRA).

Studies indicate that some lines of insurance, particularly homeowners and auto, are less available in low-income and minority areas. While insurance companies argue that availability is dependent on economic conditions in these areas rather than deliberate discriminatory practices—or “redlining” - the industry’s performance

## Insurance Company Community Investments

Insurance companies invest billions of premium dollars in stocks, bonds, mortgage loans and other real estate, but do not consistently invest their assets in a way that helps the Texas communities and neighborhoods from which the premium flows.

in providing much needed capital to these areas is inconsistent at best.

In contrast to insurance companies, banks under CRA have had the responsibility to evaluate the needs of their entire communities, including low-income communities, and provide financial services in those areas.

Despite naysayer’s predictions, CRA loans have provided market-rate returns and default rates equal to or better than non-CRA loans. In a survey, nearly three-quarters of the institutions queried said they consider CRA lending a profitable business line, with only five percent classifying these loans as burdensome.

### RECOMMENDATION

- Insurance companies should have an affirmative obligation to make targeted investments in low-income communities for:
  - affordable housing and for small businesses or farms;
  - community development



- banks and credit unions;
- bonds specifically dedicated to community economic development or low-income housing; or
- purchases of low-income mortgages and low-income multi family housing loans on the secondary market.
- Texas should establish a requirement that a specific percentage of insurance company assets be invested in targeted community development including single family in-fill housing in older neighborhoods.
- In addition, insurers should be required to develop specific plans to address the needs of the communities in which they operate.

### In Short

Texas should require that insurers develop plans to address the needs of communities in which they operate and invest a specific percentage of insurance company assets in targeted community development.

