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RELEASE: APRIL 10, 1983

COSTS AND CHICANERY IN UNISEXING INSURANCE

Senator Bob Packwood (R-Or.) held a hearing recently on his bill S. 372 to "unisex" insurance. (Unisex seems to have become a verb.) He courteously received a dozen speakers in favor of his bill, and sarcastically attempted to put down the lone speaker against his bill.

The speakers in favor of the Packwood bill, "The Fair Insurance Practices Act," argued redundantly that "women's rights" demand that women be forced to pay higher rates for automobile accident and life insurance. The one speaker against the Packwood bill came with a bundle of interesting facts and statistics based on the actual experience of one of the few states whose laws have experimented with unisex insurance rates.

The Michigan Essential Insurance Act, which took effect January 1, 1981, was passed after a debate that focused primarily on the bill's prohibitions against insurance "redlining" in urban areas. There was virtually no debate on the few words inserted into the bill to eliminate sex and marital status as factors in the setting of home and auto insurance rates.

It was a surprise and a shock when young women drivers in Michigan began getting letters from their insurance companies announcing rate increases of hundreds of dollars. Newspapers then reported that auto insurance rates for some classes of young women were raised by as much as 195%. The State Insurance Bureau's standard advice to female consumers was to "shop around" for the best rates, but the young women soon found that the law had raised the rates of all companies.

Since the law by this time was a fait accompli, naturally the insurance companies were not eager to advertise their massive increases in rates for women. The Michigan Insurance Bureau likewise did nothing to correct or even expose the enormity of the adverse effect on female drivers.

The Michigan Insurance Bureau finally published a report called "A Year of Change -- the Essential Insurance Act in 1981." But, according to Elaine Donnelly of Detroit, the

lone witness against the Packwood bill, "the few tables and pages that discuss the elimination of sex and marital status in the setting of rates tend to obscure the truth by disguising it in a puzzle of unfamiliar insurance terms and numbers."

For example, the Insurance Bureau's tables show the rate changes only in terms of "relativity" (insurance company jargon). Thus, a 127% increase in the insurance rate charged to 16-year-old female drivers (which amounts to hundreds of dollars per year) appears on the table only as a change in the "relativity" ratio from 1.88 to 4.27.

But the most interesting thing about the Insurance Bureau's report is that it omits the table for young married females, and that is the very table that would have shown the steepest increases caused by the sex-neutralization law. So, Mrs. Donnelly prepared a table based on Insurance Bureau figures.

She discovered that insurance rates on young married women were raised by as much as 327%. Instead of being treated as individuals in a low-risk group, these young married women in Michigan were thrown into a larger unisex category and forced to subsidize the claims of high-risk male drivers.

Mrs. Donnelly asserted in her testimony that "this new system constitutes a new form of arbitrary sex discrimintion, which does not allow the insurance companies to treat women as female individuals." She asked, "How can this possibly be considered fair or equitable?"

The argument is made by the advocates of the Packwood bill that it is a violation of an individual's "civil rights" to be classified by sex in the setting of insurance rates. But an even better "civil rights" argument can be made if you are thrown into a category that is so large it does not reflect your own personal characteristics that most accurately determine predictable risk.

And, as Mrs. Donnelly pointed out, "that is exactly what has happened to young women in Michigan who are being forced to pay higher rates than they rightfully should pay."

In addition to the objections to the Packwood unisex insurance bill because of the excessive costs it would impose on women, the bill incidentally transfers the power to regulate insurance from the states to the Federal Government. Alice M. Rivlin, Director of the Congressional Budget Office, predicts this would cost the Federal taxpayers $200,000 in the first fiscal year and $400,000 per year thereafter.