



The Phyllis Schlafly Report

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The Unfairness of Unisex Insurance Laws

*Testimony of Elaine Donnelly
representing Eagle Forum
to the Senate Committee on Commerce, Science, and Transportation
regarding S. 372, The "Fair Insurance Practices Act"
April 12, 1983*

I am here to speak to you on behalf of the *majority* of women for whom groups like the National Organization for Women do not speak; and for the *majority* of women who will pay an enormous price in real economic losses if the misnamed Fair Insurance Practices Act ever becomes law.

Most importantly, I am here to tell you about some newly-discovered information about the effects of a similar law passed in Michigan in 1979 — a law which forbids insurance companies to take sex and marital status into consideration in the setting of auto insurance rates.

Equity in insurance requires providing equal costs for equal risks, but equity for women has been denied by the Michigan Essential Insurance Act of 1979. Hundreds of dollars in rate hikes are being robbed right out of the pockets of young women who are least likely to have expensive accidents, thus forcing them to subsidize the high accident experience of young male drivers. Insurance companies have raised rates by as much as 327% in some categories, and rates for some groups of young men have gone up as well.

The State Insurance Bureau has proclaimed the new law to be "positive" for consumers, while downplaying or disguising the facts that would prove otherwise. A table of figures that would have shown the *highest* rate increases for young women was curiously *missing* from their official report on the new Essential Insurance Act.

What possible "social good" or "civil rights" purpose is being served when arbitrary unjustified economic penalties are inflicted on whole classes of unsuspecting, innocent people? The fact that this has been done in Michigan in the name of "women's rights" only adds insult to economic injury. If the insurance companies were sponsoring this bill — instead of the so-called "women's rights advocates" — the whole idea would be greeted with howls of outrage from one end of the country to the other.

This is why I am here as an informed private citizen — not connected with the insurance industry — to warn you that passage of a federal bill to sex-neutralize *all* kinds of insurance would be one of the most costly blunders Congress has ever made. The result would be a new form of arbitrary, unfair discrimination against women, the impact of which would fall hardest on the majority for whom individually-purchased life and auto insurance policies are a necessity, not a luxury. Please consider the following facts.

Unisex Insurance in Michigan

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 certain urban areas. There was virtually no public notice or debate on the implications of the few words inserted into the bill to eliminate "sex" and "marital status" as factors in the setting of home and auto insurance rates. Before young women drivers in Michigan knew what had happened, many of them began getting letters from their insurance companies announcing rate increases of hundreds of dollars.

Early reports were that auto insurance rates for some classes of young women were raised by as much as 195% — a triple increase. (Auto Club, rate for a married female principal operator, under age 19) I have just learned that the "award" for the highest rate increase in a single risk category should go not to the Auto Club, but to Citizens Insurance, which raised its rates by as much as 327% — more than four times as much as the policyholder would have paid before the law went into effect. (Married female, principal operator, under age 18)

The State Insurance Bureau's standard advice to shocked insurance buyers has been to "shop around" for the best rate, but even the most careful comparison shopper has little to choose when confronted with these kinds of whopping increases. For example, other well-known companies raised their rates for the same group of women as follows: State Farm, 106%; Auto Owners, 103%; Trans-America, 140%; and Allstate, 242%.

The Michigan Insurance Bureau has done nothing to correct or even expose the enormity of the situation. In the meantime, Michigan is being "pointed to with pride" as one of the four states that have set the example for S. 372 now being promoted in Congress as a "women's rights" or a "civil rights" bill.

You should know that I would not have discovered all of this without asking a lot of persistent questions of the Michigan Insurance Bureau. Their new official report, *A Year of Change — the Essential Insurance Act in 1981*, does discuss a few beneficial changes made by the comprehensive law; but 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 first challenge was to interpret Exhibit V of the Essential Insurance Report which displays the rate changes only in terms of "relativity," an insurance term which compares the risk of classification of young drivers to that of adult drivers.

According to an official at the Insurance Bureau, basic classes of adult drivers are assigned a relativity of 1.00. A group of young drivers with a relativity factor of 2.00 are considered to be twice as likely to have accidents, based on statistical probabilities. If the relativity factor of a group of single females was increased by a particular company from 2.00 to 2.95 under the new sex-neutral law, that translates into a percentage increase of 47%. I used a calculator to figure and write in the other percentage changes, as shown on the enclosed copy of Exhibit V.

Concealment of Effects

But the most interesting thing about the Insurance Bureau's Report is an item that is *missing*. Exhibit V displays only three tables — instead of four. The table of rate increases for young *married* females isn't there! When I inquired as to why the table was missing, I was told that there was "no room", and that none had been prepared. How strange it is that the missing table was the one that would have shown the steepest increases caused by the sex-neutralization law!

I decided to use my calculator and "clues" from the Insurance Bureau to prepare my own table, and the results are truly shocking. (See separate table enclosed.) As you can see, an entire class of women has been arbitrarily denied the lower insurance rates that would otherwise be theirs.

Instead of being treated as individuals in a low-risk group, these young women have been thrown into a much larger "unisex" category which forces them to subsidize the claims of high-risk drivers. *This new system constitutes a new form of arbitrary sex discrimination, which does not allow the insurance companies to treat women as female individuals. How can this possibly be considered "fair" or "equitable"?*

Of course, the insurance companies don't want to draw attention to their soaring rates, and they are well aware that prior approval of rates by the Commissioner of Insurance is no longer required. On the other hand, the Insurance Bureau seems to have an ax to grind of its own. A June 4, 1982 letter from Deputy Commissioner of Insurance Jean K. Carlson comes to the amazing conclusion that the first year of the Essential Insurance Act "indicate(s) a more positive atmosphere for consumers, and a distinct lack of the negative impact predicted by several representatives of the insurance industry."

Between the insurance companies who are looking out for their balance sheets, and the State Bureau's false pride in the new law — not to mention the feminists who sponsored the law and have betrayed the best interests of women time and time again, who is there to speak for the interests of the women who must pay the price for this foolish experiment?

The few words in Michigan's law that have caused the problem *can* be repealed, but that would be impossible if S. 372 passes in Congress. (Passage of a federal Equal Rights Amendment, which would also sex-neutralize all state and federal insurance laws, would have the same effect — only worse.)

Federal Unisex Insurance Costs

Proponents of S. 372 claim that the law would *not* take away the right of states to regulate insurance. However, the bill also says that state regulations must be "consistent" with the new federal law. What possible argument can be made for transferring regulation authority over insurance matters to the federal level?

The bill would create a new area of responsibility within the Department of Justice, and a new area of jurisdiction for the already over-burdened U.S. District Courts. Alice M.

Rivlin, Director of the Congressional Budget Office, has predicted that costs for additional staff, overhead, and other administrative expenses at the Department of Justice would be a minimum of approximately \$200,000 in fiscal year 1983, and \$400,000 in each fiscal year thereafter. (Senate Report No. 97-671, pp. 19-20) Must we pay such a high price for this dubious law?

Speaking of excessive federal regulation, S. 372 would take away the lower life insurance rates to which women are entitled by virtue of the fact that women live longer. The impact would be felt in every state of the union. Feminist sponsors of the bill seem unconcerned about this.

Much of the misguided support for S. 372 comes from the false hope that higher costs for women in the area of life and auto insurance would be offset by lower health insurance costs and improved pension benefits. But the President's Commission on Pension Policy says that only 39% of all women in the work force are covered by pension plans, and 95% of those already have unisex pension plans and benefits. (Most employer-funded pension plans can use the advantage of a group rate to blend the actuarial differences between males and females.) *Therefore, a Congressional mandate for unisex pensions would advantage only 5% of 39%, or 2% of working women, and wives not in the labor force would not benefit at all.*

It would be a colossal mistake for Congress to pass a massive piece of legislation that would benefit only 2% of the women, while imposing higher life and auto insurance rates on the other 98% of the women. How high is high?

Higher Insurance Costs

According to a survey done by the Insurance Services Office in Washington, D.C., unisex auto insurance tables would raise rates for a 23-year-old single woman in Hartford, Connecticut by as much as \$600; in Newark, New Jersey, by about \$700 more per year; and in Philadelphia by \$800 more per year. (Copy of complete survey results provided on request.)

When life insurance is priced separately for men and women, rates for women are 15% to 25% less than for men because actuarial tables clearly show that women tend to live 3 to 8 years longer than men do. According to Barbara J. Lautzenheiser, Senior Vice President of Phoenix Mutual Life Insurance Company of Hartford, a 25-year-old non-smoking woman would have to pay \$150 more for a one-year \$50,000 term policy than she now would pay. A 35-year-old would pay \$350 more. Rate increases in higher age brackets would be even steeper. (See Testimony before House Subcommittee on Commerce, Transportation and Tourism, February 24, 1983.)

Please remember that, unlike most pensions and health insurance plans, auto and life insurance policies are usually purchased by individuals without the advantage of company group rates. Therefore, there would be no "trade-off" that could justify the staggering costs in auto and life insurance that would be imposed on women in the name of "women's rights."

There are other ways to deal with reported problems that some women have had with pensions. For example, constructive pension reforms could include the recognition of public and private pensions as a legitimate property right of ex-spouses and surviving spouses. Bills to lower the pension accrual eligibility age to 21, rather than age 25, and to increase pension coverage for maternity leave might be a good idea, provided that they do not cause excessive costs or government interference in free enterprise.

The point is that it is not necessary to endorse the unisex pension concept, and extend that to call for the total sex-neutralization of all forms of insurance. Edwin L. Harper, Assistant to the President for Policy Development, has advised me that, contrary to some reports, the President and the administration "has not proposed sex neutralization of insurance laws generally."

Other Consequences of Unisex Insurance

The next logical, inevitable step in this ill-advised process would be to forbid insurance companies from taking other legitimate characteristics — such as age, condition of health, or marital status — into consideration in the setting of insurance rates. Indeed, opponents of a risk classification system that is based on objective, reliable statistics have already targeted age and marital status as the next factors to be eliminated.

Once the determination is made that insurance rates need have no relation to factual statistics, then it would be only a matter of time before all kinds of policyholders are forced to subsidize the high risks of others, and the true concept of equity in insurance would be totally destroyed.

In order to maintain true equity between different classes of policyholders, each insured person should contribute according to the risk which he or she transfers to the common fund. If one group is allowed to pay less than a fair share based on risk, it necessitates an overcharge against other groups in order to keep the common fund solvent and enable it to meet all claims. This is exactly what has happened in Michigan.

The argument has been made that it is a violation of an individual's "civil rights" to be treated as part of a group in the setting of insurance rates. But if a person makes auto insurance payments all of his or her life, but never has an accident, does that mean that the person's "civil rights" — as an accident-free individual — have been violated? Is he entitled to a refund? Of course not!

It is possible to violate someone's civil rights in the setting of insurance rates, particularly if an individual is thrown into a category that is so large it does not reflect one's own personal characteristics that most accurately determine predictable risk. Again, that is exactly what has happened to young women in Michigan who are being forced to pay higher rates than they rightfully should pay.

I hope that you will take the time to consider this information about Michigan's experience with this kind of law, and vote *no* on S. 372, which would compound Michigan's mistake and impose it on all the states.

Please remember: the so-called "women's rights" advocates do *not* speak for the majority of women on this issue and many others.

The Fair Insurance Practices Act, S. 372, and the Non-Discrimination in Insurance Act, H.R. 100, are expected to be voted on in the current Congress. Send your views to your own U.S. Senators and Congressmen.

Elaine Donnelly is Eagle Forum's National Media Chairman and the author of "A Primer on Access to the Media." For further information she can be contacted at: 17525 Fairway, Livonia, MI 48152, Phone 313-464-0899.

The charts in the right-hand column on this page were prepared by Insurance Services Office, 910 17th St., N.W., Suite 517, Washington, D.C. 20006.

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Dollar Costs to Women Drivers Of Unisexing Auto Insurance

HARTFORD, CT

19 year old occasional operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$ 394	\$ 537	+\$ 143
Company B	679	844	+\$ 165
Company C	1087	1344	+\$ 257

23 year old principal operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$ 451	\$ 689	+\$ 238
Company B	669	822	+\$ 153
Company C	982	1560	+\$ 578

NEWARK, N.J.

19 year old occasional operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$1184	\$1593	+\$ 409
Company B	1502	1793	+\$ 291
Company C	1526	1855	+\$ 329

23 year old principal operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$1355	\$1716	+\$ 361
Company B	1249	1756	+\$ 507
Company C	1273	1947	+\$ 674

PHILADELPHIA, PA

19 year old occasional operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$1209	\$1528	+\$ 319
Company B	962	1208	+\$ 246
Company C	1608	2012	+\$ 404

23 year old principal operator

	Premium as of 1/1/83	Unisex	Difference
Company A	\$1399	\$1854	+\$ 455
Company B	952	1123	+\$ 171
Company C	1298	2126	+\$ 828

Examples:

1. Single Female - 19 years old with no discounts or surcharges

Car - 1980 Chevy Malibu

Coverage - Bodily Injury/Property Damage - \$50/100/25
 Medical Payments (PIP) - \$2000 (Basic)
 Uninsured Motorists - Basic Limit
 Comprehensive - \$50 deductible
 Collision - \$200 deductible

INITIAL IMPACTS OF ELIMINATION OF SEX & MARITAL STATUS
Pre & Post Essential Insurance Young Driver Factors Applied to Base Rates

	Age 16			Age 18			Age 20			Age 23-24		
	1980	1/1/81	% Change	1980	1/1/81	% Change	1980	1/1/81	% Change	1980	1/1/81	% Change
Single Females												
<i>Principal Operators</i>												
Auto Club	2.00	2.95	+47%	2.00	2.95	+47%	2.00	2.55	+27%	1.70	1.65	-1%
State Farm	1.55	2.60	+67%	1.55	2.60	+67%	1.55	2.60	+68%	1.35	1.70	+26%
Auto Owners	1.35	2.03	+50%	1.35	2.03	+50%	1.35	1.95	+44%	1.00	1.20	+2%
Citizens	1.88	4.27	+127%	1.88	4.27	+127%	1.79	3.85	+115%	1.00	1.00	
TransAmerica	2.12	2.40	+13%	2.12	2.05	-3%	1.82	1.65	-1%	1.00	1.25	+25%
Allstate	1.85	3.42	+84%	1.85	2.97	+60%	1.85	2.52	+36%	1.58	1.92	+21%
<i>Occasional Operators</i>												
Auto Club	1.60	2.00	+25%	1.60	2.00	+25%	1.60	1.80	+12%	1.30	1.45	+11%
State Farm	1.55	1.85	+19%	1.55	1.85	+19%	1.55	1.85	+19%	1.35	1.45	+7%
Auto Owners	1.35	1.54	+14%	1.35	1.54	+14%	1.35	1.36		1.00	1.08	
Citizens	1.44	1.98	+37%	1.44	1.98	+37%	1.35	1.71	+27%	1.00	1.00	
TransAmerica	2.12	1.70	-24%	2.12	1.50	-29%	1.82	1.20	-34%	1.00	1.05	
Allstate	1.51	2.45	+62%	1.51	2.32	+54%	1.51	2.12	+40%	1.41	1.92	+36%
Single Males												
<i>Principal Operators</i>												
Auto Club	3.40	2.95	-13%	3.40	2.95	-13%	3.40	2.55	-25%	2.60	1.65	-36%
State Farm	3.65	2.60	-28%	3.65	2.60	-28%	3.65	2.60	-29%	2.80	1.70	-39%
Auto Owners	2.64	2.03	-23%	2.64	2.03	-23%	2.64	1.95	-26%	1.80	1.20	-33%
Citizens	2.99	4.27	+43%	2.99	4.27	+42%	2.56	3.85	+50%	1.00	1.00	
TransAmerica	3.82	2.40	-37%	3.82	2.05	-46%	3.41	1.65	-52%	3.00	1.25	-58%
Allstate	3.20	3.42	+6%	3.20	2.97	-7%	3.20	2.52	-21%	2.36	1.92	-19%
<i>Occasional Operators</i>												
Auto Club	2.25	2.00	-11%	2.25	2.00	-11%	2.25	1.80	-2%	1.60	1.45	-9%
State Farm	2.30	1.85	-19%	2.30	1.85	-19%	2.30	1.85	-19%	1.80	1.45	-19%
Auto Owners	1.80	1.54	-14%	1.80	1.54	-14%	1.80	1.36	-24%	1.48	1.08	-27%
Citizens	1.93	1.98	+2%	1.93	1.98	+2%	1.83	1.71	-6%	1.00	1.00	-39%
TransAmerica	2.88	2.40	-16%	2.88	2.05	-29%	2.59	1.65	-36%	2.06	1.25	-39%
Allstate	2.01	2.45	+21%	2.01	2.32	+15%	2.01	2.12	+5%	1.53	1.92	+25%
Married Males												
<i>Principal Operators</i>												
Auto Club	1.95	2.95	+51%	1.95	2.95	+51%	1.95	2.55	+31%	1.65	1.65	
State Farm	1.85	2.60	+40%	1.85	2.60	+40%	1.85	2.60	+40%	1.30	1.90	+46%
Auto Owners	1.65	2.03	+23%	1.65	2.03	+23%	1.65	1.95	+18%	1.65	1.20	-27%
Citizens	1.71	4.27	+150%	1.71	4.27	+150%	1.71	3.85	+125%	1.00	1.00	
TransAmerica	2.23	2.40	+7%	2.23	2.05	-8%	2.12	1.65	-22%	1.82	1.25	-31%
Allstate	2.20	3.42	+55%	2.20	2.97	+35%	2.20	2.52	+14%	1.71	1.92	+12%
<i>Occasional Operators</i>												
Auto Club	1.95	2.00	+2%	1.95	2.00	+2%	1.95	1.80	+2%	1.65	1.45	-12%
State Farm	1.85	1.85		1.85	1.85		1.85	1.85		1.30	1.45	+11%
Auto Owners	1.65	1.54	-6%	1.65	1.54	-6%	1.65	1.36	-17%	1.65	1.08	-34%
Citizens	1.71	1.98	+16%	1.71	1.98	+16%	1.71	1.71		1.00	1.00	-42%
TransAmerica	2.23	1.70	-24%	2.23	1.50	-33%	2.12	1.20	-43%	1.82	1.05	-42%
Allstate	2.20	3.42	+55%	2.20	2.97	+35%	2.20	2.52	+14%	2.20	1.92	-11%
Married Females												
<i>Principal Operators</i>												
Auto Club	1.00	2.95	+195%	1.00	2.95	+195%	1.00	2.55	+155%	1.00	1.65	+65%
State Farm	1.00	2.60	+160%	1.00	2.60	+160%	1.00	2.60	+160%	1.00	1.90	+90%
Auto Owners	1.00	2.03	+103%	1.00	2.03	+103%	1.00	1.95	+95%	1.00	1.20	+20%
Citizens	1.00	4.27	+327%	1.00	4.27	+327%	1.00	3.85	+285%	1.00	1.00	
TransAmerica	1.00	2.40	+140%	1.00	2.05	+105%	1.00	1.65	+65%	1.00	1.25	+25%
Allstate	1.00	3.42	+242%	1.00	2.97	+197%	1.00	2.52	+152%	1.00	1.92	+92%
<i>Occasional Operators</i>												
Auto Club	1.00	2.00	+100%	1.00	2.00	+100%	1.00	1.80	+80%	1.00	1.45	+45%
State Farm	1.00	1.85	+85%	1.00	1.85	+85%	1.00	1.85	+85%	1.00	1.45	+45%
Auto Owners	1.00	1.54	+54%	1.00	1.54	+54%	1.00	1.36	+36%	1.00	1.08	+8%
Citizens	1.00	1.98	+98%	1.00	1.98	+98%	1.00	1.71	+71%	1.00	1.00	
TransAmerica	1.00	1.70	+70%	1.00	1.50	+50%	1.00	1.20	+20%	1.00	1.05	+5%
Allstate	1.00	3.42	+242%	1.00	2.97	+197%	1.00	2.52	+152%	1.00	1.92	+92%

This Chart is "Exhibit V" in the Report published by the State of Michigan Insurance Bureau, 1982, called "A Year of Change - The Essential Insurance Act in 1981." The percentages were all added by Elaine Donnelly as part of her testimony to the Senate Commerce Committee on April 12, 1983.

The "Married Females" table (which includes the steepest increases) was omitted from the published Michigan State Report; so Mrs. Donnelly prepared this table based on Michigan Insurance Bureau figures.

Notes from Michigan Insurance Bureau Report:

1) Factors are approximations based on company filings. For those companies with factors that differ by coverage, only a simple average is used.

2) Allstate's 1/1/81 factors are based on years of driving experience, not age. They have been converted to age group factors by assuming that a driver with 0-1 years of experience is 16.