

Senate passes 'compromise' car insurance bill

By Tim Richerd
staff writer

They made the same speech but voted differently. The State Senate last week passed a compromise auto insurance bill 29-9 with suburban Republicans and Democrats disagreeing whether their constituents would pay higher or lower premiums.

Republican Doug Cruce of Troy predicted suburbanites "should experience a decrease in auto insurance rates." He called the bill progress toward a return to the free market.

Countered Democrat Jack Faxon of Farmington Hills: "I do not believe we should have a free market on one side (north) of Eight Mile and not the other." He saw the bill as capping insurance rates in Detroit and unleashing insurers to hike them in the suburbs.

THE COMPROMISE, covering a five-year period ending in April of 1991, provides for:

- Repealing the link in the Essential Insurance Act (EIA) between suburban rates and high Detroit rates. Under that law, the rate in a suburban territory can be no less than 90 percent of the rate in a neighboring territory.

- Removing the link between outside and Detroit rates. EIA now fixes the lowest outside rate at 45 percent of the Detroit rate, even if the outside territory's loss is only 2 percent of Detroit's.

- Capping annual car insurance increases in Detroit at 4 percent plus the rate of inflation in the consumer price index — a total of 7 1/2 percent currently.

OAKLAND SENATORS supporting the long-awaited compromise were Cruce, whose district includes Birmingham, Richard Fessler, R-West Bloomfield, whose district includes Bloomfield Hills, and Rudy Nichols, R-Waterford, whose district includes Rochester.

Opposed was Faxon, whose district includes Southfield.

Since 1979 the links between territories under the Essential Insurance Act have caused the state to be broken into two auto insurance markets.

One is metropolitan Detroit, where only AAA, State Farm, Michigan Mutual and the Farmers Insurance Group are left. They have rates too high to compete for business outside.

The rest of the state is the second market. Compa-



Sen. Doug Cruce

Suburban premiums questionable

nies there have rates too low to make a profit in metro Detroit.

CRUCE AGREED with Faxon and McCollough that suburbanites have been subsidizing Detroit insurance customers to the tune of \$40 million a year.

Where they parted company was on whether the compromise bill will help or hurt suburbanites. "What will happen," said Cruce, "is that suburban customers of companies which do business in Detroit should experience a decrease."

"I would prefer to repeal the Essential Insurance Act," he said, calling the current law price fixing. "But this compromise is the best we can do."

Suburbanites, Cruce said, have been "subsidizing losses in Detroit since 1980. You're still going to be subsidizing Detroit, but not at the rate you were."

Critics of the EIA say Detroiters pay \$40 million a year in premiums but collect \$80 million in claims.

CRUCE SAID auto insurance rates will come down, not by legislative action but by reducing auto thefts. Insurance companies can't be blamed for high premiums due to high thefts, said Cruce, charging those who blame insurers with "political rhetoric to appeal to lack of understanding."

Suburbanites, Cruce said, have had no protection in suburban areas. "People will have no protection in suburban areas," said McCollough. "You're taking a very big chance with the free market."

He contrasted the 7 1/2 percent increase that could be charged in Detroit with the 27 percent increase Alstate said it needs.

"If Detroit is capped at 7 1/2 percent, it is going to make up the difference? You can't drop it in one area and cap it in another," McCollough said.

Faxon said, "I've asked to see the new structure (of rates under the compromise bill) and the impact on consumers I represent, and it has not been forthcoming."

Both quoted the old saying, "If you don't know, vote no."

CRITICS OF the compromise said it failed to address the root of the problem — auto thefts.

To this Cruce replied: "I've got a bill in the House

Judiciary Committee to require marking of auto parts which, I think, will address the root of the problem."

But that committee has failed to act on his Senate-passed bill, Cruce said.

Sponsor Richard Posthumus, R-Lowell, chairman of the Senate Commerce Committee, said it's usu-

less to try to repeal the Essential Insurance Act. "The governor would not sign that bill. We've tried to come up with something that goes half way," Posthumus said.

"This is a step toward the free market we had before Essential Insurance was passed."

The bill goes to the House, where chances of passage are good. The compromise bill carries the names of both Posthumus and Rep. Matt McNesley, D-Detroit, chairman of the House Insurance Committee.

The senators agreed suburbanites have been subsidizing Detroit insurance customers but disagreed on whether the bill would help suburbanites.



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Legislature considers wine cooler deposits

A joint committee of the Michigan Legislature is the next step in the effort to ban throwaway wine cooler bottles.

The state liquor control commission last week voted to require a 10-cent deposit on wine coolers, defined as a mixture of wine and carbonated beverages.

"With this change in the rule that makes wine coolers returnable," said Attorney General Frank J. Kelley, "the LCC is keeping Michigan's reputation intact as a beautiful and rubbish-free state."

ADDED THOMAS Washington, executive director of the Michigan United Conservation Clubs, "The emergence of wine coolers as a major force in the marketplace has meant an obvious increase in the litter in our parks, roadsides and waterways."

"In making this decision, the LCC has decided that wine cooler bottles and cans are no different than beer or soft drink bottles or cans and should be treated in the same manner."

MUCC, a statewide organization of hunters, anglers and environmentalists, was the chief force behind the 1976 state law, approved by voters, to require a five-cent deposit on bottles and 10-cent deposit on cans of pop and beer.

Wine coolers, which didn't hit the market until about three years ago, weren't covered until the LCC adopted its rule. Supporters of the deposit rule said coolers had become a major cause of roadside and parks litter.

The rule was vigorously resisted by the beverage industry and small retailers during a public hearing last November. Manufacturers argued that an American "infant industry" would be strangled by handling costs.

THE STATE Constitution requires that all administrative rules be approved by a Joint Administrative Rules Committee of the Legislature, Kelley said.

Five Senate members are Chairman Edgar Fredricks, R-Holland; Alan Crossy, R-DeWitt; Kirby Holmes, R-Utica; Patrick McCollough, D-Deerborn; and Michael J. O'Brien, D-Detroit.

Five House members are Michael Griffin, D-Jackson; Tom Alley, D-West Branch; Dennis Dulko, D-Warren; Charles Mueller, R-Linden; and Ernest Nash, R-Dimondale.

Legislators may be addressed at the state Senate or House of Representatives, State Capitol Building, Lansing 48909.

Area gasoline prices dropping


Self-serve gasoline prices along main Michigan roads plunged to early 1980 levels. Metropolitan Detroit self-serve costs topped as much as six cents in the last two weeks, according to AAA Michigan's "fuel gauge" survey.

Self-serve regular prices were below \$1 per gal-

lon at 25 of 300 stations surveyed along major state highways. They dipped below \$1 at 13 of 100 checked in metropolitan Detroit.

Two Detroit-area stations have full-serve regular priced under \$1. One outside station is selling self-serve no-lead under \$1.

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