

# New political battle over insurance rates

By Tim Richard  
staff writer

The battle over liability insurance is far from over. With solid support from area suburban senators, the Michigan Senate last week passed and sent to the governor a package of seven reform bills. But a new battle is heating up in Lansing over Democratic attacks on insurance companies. "They should seriously be looking at rebates," said House Speaker Gary Owen, D-Ypsilanti, throwing out the figure of 20 percent. "Gary Owen doesn't believe in the free market," replied Thomas E. Hoeg, the Canton resident who most often is spokesman for the industry. "Gary Owen's a supporter of redistribution of the wealth."

THE IMMEDIATE issue is a House substitute for Senate Bill 482, a leftover from the fight that ended last week.

## Anti-abortion override vote fails in House

The state House of Representatives failed by six votes to override Gov. James J. Blanchard's veto of a budget that prohibited Medicaid abortions. The vote was 68 in favor, with 74 needed for an override, and 39 against, with two members absent. Wednesday's override attempt came only hours after Blanchard fired off the 14th gubernatorial veto of legislative attempts to prohibit abortions for low-income women on Medicaid.

"Because it is a legal medical procedure, it should remain one of the covered services of the Medicare program," Blanchard's veto message said.

HERE IS HOW Observer & Eccentric area representatives voted:

Yes — to override and to prohibit Medicaid abortions: John Bennett, D-Redford; W. E. Brotherton, R-Farmington; Mat Dunnaskis, R-Lake Orion; Gregory Gruse, R-Madison Heights; James Kosteva, D-Canton; and Gerald Law, R-Plymouth.  
No — against overriding and to allow Medicaid abortions: Lynn Bankes, R-Livonia; Justine Barna, D-Westland; Maxine Berman, D-Southfield; David Hongman, R-West Bloomfield; William Keith, D-Garden City; Judith Miller, R-Birmingham; and Gordon Sparks, R-Troy.  
Thus, among area representatives, women voted 4-0 to allow Medicaid abortions, and men voted 6-3 against.

THE HOUSE then adopted an "interim" budget continuing Medicaid programs — including abortions — for three months into the new fiscal year, from Oct. 1 to Dec. 31. That will allow the legislature a chance to wrestle with the bill in fall. The new bill will go to the Senate on July 1.

Owen referred it to the House Appropriations Committee, which produced a substitute designed to reduce premiums 20 percent. Last week after a public hearing, it promptly reported out the bill on a party-line vote. Owen Tuesday said that although he'd hoped to bring it up for a vote this week, it will not be brought up to the full House until September.

Hoeg, a vice president and associate general counsel of Michigan Mutual Insurance, said the complicated bill is labeled a "windfall profits" measure. There is a formula for calculating "excess" profit and a requirement that insurers return half that amount to customers.

Insurance companies could exempt themselves by reducing premiums 20 percent.

Committee Chairman Dominic Jacobetti, D-Negaunee, said the proposal is in line with a Florida law that rolled back property and casualty insurance premiums about 40 percent.



**Insurers 'should seriously be looking at rebates.' They have conjured up images of 'bad, mean, ugly lawyers' but are themselves guilty of 'mismanagement.'**

— Gary Owen  
House speaker

HOEG'S OBJECTIONS were strong:

• "What in heaven's name is an insurance bill doing in the Appropriations Committee?" he asked. His answer: "The Insurance Committee would have been through this."

• The bill is only an attempt by government rather than the marketplace to dictate insurance rates.

• It sends a bad message across the country: "When Gary Owen tries this political stunt, he will dry up the sources of insurance. Companies will not choose a state where the Legislature is constantly interfering in the market."

• "Michigan has 54 domestic insurers. Illinois has 300. The last place an insurance company would look at to invest its money is Michigan."

THE LONGER Owen talks about the spiral of liability rates — for government, liquor licenses, business in general and health practitioners — the hotter he gets toward insurance companies. That became clear as his end-of-the-week news conference hit the 10-minute, 20-minute and 30-minute marks.

Insurance companies are foes of "children, women and low-income people who are the victims" of malpractice and damages, he said. When those groups seek justice from the courts, powerful insurers seek changes in the law to prevent the victims from collecting.

"Mismanagement" by insurance companies is to blame for the crisis, Owen went on. When interest rates are high, insurers compete with low rates for premium dollars but made profits on investments. Now that interest rates are down, insurers are jacking up rates — "a complicated and vicious cycle," he said.

"The restaurant owner sees the bill from the insurance company go from \$10,000 to \$30,000 and immediately gets mad at the guy who walks in the door because he thinks the guy is going to sue him," Owen went on.

In the public's mind, insurance propagandists have conjured up the image of "bad, mean, ugly lawyers" ripping off jury awards.

The companies have said that reforms in the tort (lawsuits for damages) system will lead to lower premiums, but Owen isn't satisfied with a mere market prediction. He wants it written into law. "We don't think they will pass the savings back to the premium payer. They should seriously be looking at rebates," the speaker said.

HOEG SAID insurance rates are based on two factors: 1) the loss experiences of companies through claims and lawsuits and 2) the competition.

Premiums will come down when losses are reduced and when the dozens of companies in the marketplace compete for business, he said.

Hoeg picked up a copy of a trade publication called Business Insurance and read aloud the page 1 headline: "Seven insurers withdraw from Florida market."

"This what happens when you interfere in the market," he said.

**SUMMER CLEARANCE SALE!**

**STOCK UP NOW WHILE OUR PRICES ARE AT THEIR LOWEST**

**SAVINGS!**

**REDUCTIONS ON FAMOUS BRAND NAME MERCHANDISE IN EVERY DEPARTMENT**

designer depot

00 - SITE

DEPT 5 02115 ITEM 3220

MPD 2738 TITLE 1345

SKU 3110183861

COMPARABLE VALUE

MSRP \$12.99

OUR PRICE

Best selection is now! Look for the red clearance tickets in every department, and save more than ever before. Why shop anywhere else? when you SHOP and SAVE at Designer Depot.

Charge It!

**designer depot**

**fashions for less!**

LIVONIA  
Wonderland Center  
Ph. 421-2910

ANN ARBOR  
Maple Rest to Kmart  
Ph. 995-3020

CRAWFORD  
14 Mile at Crooks  
Ph. 290-0020

STERLING HEIGHTS  
Hart and Schoenherr  
Ph. 247-6400

SOUTHGATE  
Dix Rd. at Euraske Rd.  
Ph. 281-4590

FARMINGTON  
Midcreek at 14 Mile  
Ph. 851-8414

ROCHESTER  
Rochester Rd. at Tenken  
Ph. 858-0181

ST. CLAIR SHORES  
Midcreek at 13 Mile  
Ph. 292-6470

WARREN  
Van Dyke at 12 Mile  
Ph. 274-2550

TAYLOR  
7000 Telegraph Rd.  
Forest City Plaza  
Ph. 252-7000

**Vertical Blinds**

**"Ready-to-go"**

**SAVE UP TO 78% take IN STOCK**

DISCOUNT	78%	77%	75%
Pattern	Capri Fabric	Spiker Fabric	P.V.C. Flat
SIZE	compare	db	compare
84" x 84" h one way	314.00	688.00	240.00
FITS 8" doorway			159.00
109" x 84" h one way draw fits 8" doorway	404.00	888.00	300.00

Visit Our Complete Showroom of "In-Stock" Ready-to-Go "Folds With Verticals."

**GRAND RIVER & HARGREY CENTER**

31353 Grand River, Farmington (313) 478-3133

Open Sun. 12:00-4:00

**ORCHARD & 14 MILE CENTER**

31353 Orchard St., Farmington Hills (313) 624-4313

Open Sun. 12:00-4:00

**drapery boutique**

**THE WORLD AWAITS YOU!**

And there are more bargains in the store.

ICF-4910  
9 BAND AM/FM  
WORLD-WIDE RADIO \$79

**PEERLESS ELECTRONICS**

**THE STORE CENTER**

15039 WEST 8 MILE RD., DETROIT • (313) 342-0500

SUMMER HOURS: MON, THRU FRI. 10:00 pm • SAT. 10:00 pm

We sell more Sony products, under one roof, than any place in America!