

# Auto insurance rate cut for suburbs — maybe

By Tim Richard  
staff writer

State Senate and House conferees may decide soon whether suburban auto owners will get a break on their auto damage insurance rates.

In a slick parliamentary move, the Senate last week heavily amended an Essential Insurance Act bill allowing insurance companies to pass a more proportionate share of costs onto car owners in Detroit, where auto theft losses have been soaring.

"People in the suburbs have paid higher auto insurance rates, subsidizing losses in Detroit," said state Sen. Doug Cruce, R-Troy, author of the amendment.

Sen. William Faust, D-Westland, agreed that "the suburbs pay tremendous rates because of increases to Detroit." But Faust and several other Democrats voted against the bill, charging it failed to solve the problem of making sure every driver has insurance.

THE SENATE last week tacked Cruce's amendment onto a House bill after failing to get House consideration of the problem.

"We've been trying for two years," said an elated Nancy Nowak, an aide to Cruce who worked on the bill. Cruce's version (S-4) was added to a bill (HB

4715) passed earlier by the House.

The Senate version goes back to the House for concurrence. In the likely event the House fails to concur, the bill will go into a joint conference committee — a distinct tactical victory for Cruce, Nowak said.

Reason: Without that maneuver, Cruce's bill would have gone directly to the House Insurance Committee, chaired by Matthew McNeely, D-Detroit, who "wouldn't pick up on it," in Nowak's words.

THE SENATE maneuver keeps the bill out of McNeely's committee.

Like most blacks in the Legislature, McNeely vehemently opposes anything that will raise Detroit's insurance rates and benefit the suburbs. For example, Sen. Jackie Vaughn III, D-Detroit, publicly called Cruce's version "rank discrimination."

The Senate passed the Cruce substitute 22-13. Supporting it were Jack Faxon, D-Farmington Hills, Richard Fessler, R-West Bloomfield, Robert Goske, R-Northville, and Rudy Nichols, R-Waterford.

Opposed were Faust and Patrick McCollough, D-Dearborn.

SOURCE OF the problem is the original Essential Insurance Act, which took effect in 1981.

As insurance industry spokesmen explain it, the act tied suburban rates to rates in Detroit. If a rate in the center of Detroit was \$1,000, the rate in the next ring must be at least \$900. Rates could be cut no more than 10 percent as one moved from zone to zone.

The result, according to insurers, Detroit's rates are artificially low and suburban rates are artificially high. Cruce said insurers are paying out \$80 million a year to Detroiters for auto theft losses and collecting only \$40 million in premiums.

"So selected suburban constituents are paying a \$40 million subsidy," Cruce added.

MOREOVER, WITHIN Michigan, the lowest rate can be no less than 45 percent of the highest rate. That provision effectively split the Michigan car insurance clientele into two areas:

• The metropolitan area, dominated (reluctantly) by Automobile Club, Allstate, Michigan Mutual and Farmers Insurance Group

• The rest of the state, dominated by Citizens, Transamerica and Farm Bureau.

Meanwhile, the industry says, the auto theft problem has exploded in Detroit. In 1980 one insurer's experience was 20 times worse in Detroit than in Traverse City. By 1983, it was 43 times worse.

"Consequently, outstate and suburban Detroit rates for some large urban writing insurance companies are up to 40 percent above the rates of competitors who don't do substantial business in Detroit," an industry pamphlet tells lawmakers.

"WE ELIMINATED the territorial requirement," said Cruce. "To appease

Detroit, we put a 15 percent cap on the annual rate increase.

"The act sunsets in 1990. So it means these increases can go on for five years."

What will it mean to the suburban drivers?

"They should experience 15-20 percent decreases when their insurance is renewed," replied Cruce.

Another result would be greater competition among insurance companies and more choices for drivers, he added.

"This should dramatically increase competition," added Nowak, "because

there is no longer a disincentive to write insurance in Detroit." She called the Essential Insurance Act "a social program" and a violation of the centuries-old practice of basing insurance premiums on loss experience.

BUT FAUST said the bill failed to get at the central problem of seeing to it that all drivers are insured.

The Essential Insurance Act grew out of a 1979 state Supreme Court decision. The court upheld Michigan's no-fault insurance law but raised questions about the availability of insurance in central cities.

**'People in the suburbs have paid higher auto insurance rates, subsidizing losses in Detroit.'**

— Sen. Doug Cruce  
Troy Republican

## Aginian to head press association

Richard D. Aginian, president of Suburban Communications Corp., parent company of the 12 Observer & Eccentric Newspapers, was elected president of Suburban Newspapers of America (SNA) at the group's 108th annual convention in Washington, D.C.

The newspaper officer also serves on the board of directors for the Michigan Press Association and served as SNA's first vice president last year.

Aginian, a certified public accountant, holds a philosophy degree from Wayne State University, Detroit, and a MBA from Rutgers University.

In addition to the Observer & Eccentric group, Suburban Communications Corp. owns the Cincinnati (Ohio) Suburban Press Inc., the Lansing-based Suburban Newspaper Network, the Farmer's Advance in Camden and the Howell-based Silger Livingston Publications Inc.



Richard Aginian

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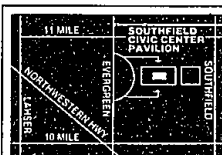
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