

Action to End Group Defamation by Auto Insurers

By Patrick Butler

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An emerging hot topic in state legislatures will be addressed in a workshop at the NOW conference in June. The focus will be on a shocking practice auto insurers increasingly employ—charging higher premiums to drivers on the basis of lower-status education and occupation.

The workshop—Classist, Racist, Sexist Auto Insurance: An End is in Sight—will review misinterpreted facts and circular reasoning behind stereotyping lower-status groups as "high risk" drivers.

In a nutshell, today's premiums are charged

like a fixed tax on each car owned, whether it is driven a little or a lot. Therefore, financially-stressed drivers have only one way to economize—own fewer cars to drive the same miles.

When people have to share cars, those cars average more miles on the road and therefore, as a group, average more accidents. The result: insurers blame more claims (per 100 car years) on low-status drivers instead of on more miles driven per car and raise the premium "tax" on each car.

To stop the premium increases, and the group defamation that falsely justifies them, insurers must offer a way to save that doesn't make owners give up cars—and then have to pay ever-higher premiums on the remaining cars they are sharing.

Texas lawmakers did the right thing in 2001 by enacting HB 45, drafted by NOW's Insurance Project and argued by Texas NOW. The law validates the cents-per-odometer-mile option, which is the only workable remedy in a competitive market. Buying miles of insurance in advance to add to the odometer reading is like buying gasoline

as needed.

With this end in sight, the workshop will provide information on a new company in Texas, MileMeter.com, whose start last fall was guided by HB 45 and whose venture capital backing was assisted by NOW's endorsement. The company sells insurance at cents-per-mile prices according to coverage, residence location, and driver age—not by driver sex or financial status.

To enable insurance companies like MileMeter to serve low-income customers, NOW is urging legislators to clarify mandatory insurance laws that might be misinterpreted to force per-mile companies to maintain coverage after a car has exceeded the miles purchased. When the odometer limit is exceeded, all coverage must be considered cancelled for non pre-payment of premium—as currently done when a monthly installment is not paid when due.

Workshop participants will learn the tricks and truths of auto insurance rating, and how cents-per-mile rates eliminate discrimination. One example is legislators' use of stereotyping by driver sex to argue against the Equal Rights Amendment. ERA opponents contended that men drivers as a group are a greater risk than women. What they didn't tell the public was that men have more accidents simply because their cars are driven more miles on average than women's cars.

Upcoming opportunities to inform both legislators and the public include a July 11 meeting of insurance legislators in Philadelphia to consider the pros and cons of status rating.

