

## Bill Introduced In Senate

# Help For Life Insurance Buyer Urged

### Hart Wants Details On Price, True Cost

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WASHINGTON Sen Philip Hart (D., Mich.) said today that he has introduced a bill which would allow consumers to "price shop" for life insurance.

"Today consumers buying life insurance don't know if they have the inexpensive, expensive, or in-between model when it comes to true cost," the senator said.

"Although premiums usually vary little — making it look as if costs of protection vary little — this is not so," Senator Hart said.

#### Dividend Factor Cited

He cited such factors as dividends and "cash value" which in effect reduce the actual cost to the consumer of the protection he receives.

His Senate anti-trust and monopoly subcommittee has been studying the life insurance industry and came up with an example where a 25-year-old could buy a \$10,000 dividend-paying straight life policy from one company for an annual premium of \$172 versus \$177 from another.

"The one with the \$5 cheaper premium looks like the best buy," he said, "but actually it costs more than twice as much as the \$177 one. The average cost to the consumer would be \$118 compared to \$50. In other words, in life insurance, what you see is what you get, but what you pay isn't what it costs."

The senator has defined cost as what the consumer actually pays for protection plus what the company retains for expenses and profit.

#### Periodic Reports Required

Under his bill, detailed cost and benefit information on a policy would be given to the consumer before purchase. He said that there also would be periodic reports on the performance of any policy purchased.

Before purchase, consumers would be given information on such things as premiums, how much death protection is provided, anticipated cash values and the yearly rate of return, expected dividends, amount the company would retain for overhead and profit, charges for paying the annual premium in installments, and charges for making loans against the policy.

Each time a premium payment is due, consumers would be told the amount of dividend being paid, compared to that forecast at time of purchase; total of the accumulation of annual dividends; interest being paid, and cash value of the policy.

The bill also would require that prospective purchasers be given the most recent data on how many consumers dropped the company's policies within 13 months of buying them.

#### Figure Called Startling

"We found that the number of policies consumers purchased but didn't pay the second premium on was really startling. Of 148 companies surveyed by the subcommittee, 1 out of 4 policyholders of 64 companies dropped the best selling policy within 13 months after buying it in 1971.

Fifteen of these companies had unbelievably high early lapse rates ranging from 40 to 50 per cent."

Dropping a policy so soon is expensive for consumers, who are sacrificing the premiums already paid, as well as for the companies because it generally costs more to put a policy on the

books than is charged in premiums the first year, the senator said.

Critics and students of the life insurance industry have blamed "inappropriate sales" and "deceptive sales practices" which are a national disgrace for these high early lapse rates. Senator Hart said, although he added that this might be "too harsh a judgment."

#### Consumers Often Overwhelmed

However, he said, consumers are too often overwhelmed with inaccurate and unreliable data and wind up "buying what they don't need or cannot afford because they don't understand."

Senator Hart said his bill also contains provisions that would allow life insurance agents to be sufficiently independent from the companies whose policies they sell to do a truly professional job for consumers.

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