Consumers of 'Debit' Insurance Pay High Price For Low Return

Purchasers of "industrial" and other types of "debit" insurance "pay more than they have to for products that do not provide them with what they need," the chairman of the Federal Trade Commission said today, testifying before a subcommittee of the Senate Committee on the Judiciary.

Consumers of such insurance are primarily "the most vulnerable groups in our society: poor people, minority people, elderly people," Chairman Michael Pertschuk told the Subcommittee on Anti-trust, Monopoly, and Business Rights.

Debit insurance is typically a life-insurance policy with a face value under $5,000 and is sold door-to-door. Premiums are generally collected weekly or monthly.

The FTC recently released a staff report on industrial and debit insurance. "Industrial," one type of debit insurance, got its name in 19th-century England where it was sold primarily to industrial workers.

More than 100 million debit policies are in force in the U.S., almost one for every two people, Pertschuk noted. He place annual premiums at approximately $3 billion.

"Most consumers appear to get less insurance protection and savings for their premium dollar from debit insurance than from any other life insurance or savings mechanisms," he said, adding that "this higher cost is primarily the result of the expensive door-to-door marketing and premium collection system."

"Compared to other insurance policyholders, a disproportionate number of industrial policyholders pay in far more than they can ever get back in benefits," Pertschuk explained. "It appears that many industrial policyholders today are elderly people, usually women, who bought their policies years ago. If instead they had put their money in a bank 35 or 40 years ago, they would now have savings equal to 5 to 11 times the death benefits of their policies and even more times the cash surrender values."

"The problem of low return on the consumer dollar is compounded by what appear to be extraordinary high early lapse or drop-out rates," he said, pointing out that "an industry-funded study admits that as many as 50 per cent or more of industrial policies are dropped in the first year. These high lapse rates penalize policyholders harshly, because they occur when policies have little or no cash values."

Pertschuk said that "'overloading,' or selling too many polices to one customer in relation to need or ability to pay, appears to be one of the most widespread and ividious abuses."

"That owning multiple policies is the rule rather than the exception is suggested by the figures on ownership: over 100 million debit policies in force, concentrated among the low-income quarter of the population. If we assume that all debit policies are held by families in the $3,000 to $10,000 income bracket–the prime debit market–then each family on average owns seven policies," he said.

Pertschuk inserted into the hearing record a facsimile of a payment record book that companies give each policyholder. The book contained space for recording payments on 15 to 22 weekly policies and up to 7 monthly policies.

"Some people with multiple polices have reported that they skimped on food to pay their premiums. Yet with all their policies, their coverage was well below the national average," he said.

Pertschuk added that "insurance on children is often sold as a good way to save for their futures" but that, in fact, people buying insurance for such a purpose "would have a larger nest egg if they'd buried it under the mattress."

He suggested as alternatives to debit insurance "low-cost group insurance, regular non-debit term or whole-life insurance, savings bank life insurance in the three states which offer it and savings banks and credit unions. Moreover," he said, "most poor people are covered under the Social Security....its survivor's benefits are the equivalent of about $28,000 of life-insurance coverage for men and $9,000 for women–far more protection than debit policies provide."

Pertschuk also noted that the FTC could serve as an "information clearinghouse and technical advisor to the states," which have primary authority over the regulation of insurance. Among the policy options the states or the industry may wish to consider, he said, are:

–Placing a limit on the amount of the consumer's premium dollar the company can retain for expenses and profits.

–Removing laws that exempt industrial insurance from consumer-protection measures that apply to ordinary policies.

–Requiring that paid-up policies be issued to people who have paid in more than the face value of the policy.

–increasing access to group insurance and savings.

U.N. Ambassador Leslie O. Harriman

19th Anniversary of Sharpsville Massacre Commemorated By UN

BY ANGIE DICKERSON

NEW YORK (NNPA) – As the International Anti-Apartheid Year drew to a close last week, the United Nations convened a solemn meeting, commemorating the 19th anniversary of the Sharpsville Massacre in which 69 were killed and hundreds wounded as they peacefully demonstrated against the hated pass-laws.

This led the U.N. Security Council to first consider the situation in SouthAfrica, as a threat to world peace and security.

In his opening remarks on the observance, Ambassador Leslie O. Harriman of Nigeria, current president of the Security Council as well as chiamm of the Special Committee against Apartheid, stated, "I cannot be acutely conscious, as we meet on tis solemn occasion, that the struggle against Apartheid is the struggle for the redemption of Africa.

"Through five centuries, it has suffered slavery, colonialism, racsim and and humiliation imposed by alien settlers, freebooters and conquerors in the mostt shameful chapter in the entire human history," he declared.

"For Africa is not free – no part of Africa is fully free – and no person of African descent can walk in full dignity so long as racist domination prevails in the southern part of the continent."

The speaker than outlined the role which the Security Council has played regarding the Apartheid system of South Africa, including the various resolutions adopted by it. He indicated that the body is presently considering yet another complaint of aggression against South Africa.

Referring to the work of the Special Committee Against Apartheid, Ambassador Harriman expressed thanks to all governments, organizations and individuals who had been helpful in making the world aware of the need to isolate the Apartheid South African regime and to assist in the liberation struggle.

Inspired by the achievements of the Anti-Apartheid Year, the Committee used this occasion to launch the INTERNATIONAL MOBILIZATION against apartheid, a mobilization of governments and peoples for the destruction of racism.

This reporter was granted an interview by Ambassador Harriman following the U.N. meeting. He explained that the reports of many seminars, international conferences and demonstrative actions regarding bank loans to South Africa, militar and nuclear buildup in South Africa, and the demand for transnational corporations to end their collaboration with the racist regime, had been broadcast throughout the world and still are beamed to South Africa at a ratel of 30 hours per week.

Joseph Louis Barrow, Jr.

LOUIS' SON PROMOTED TO HIGH POST IN ENERGY DEPT.

WASHINGTON

Joseph Louis Barrow, Jr, son of the famous Brown Bomber, has been promoted to the directorship of the Office of Commercialization for Conservation and Solar Applications, the U.S. Department of Energy announced this week.

In his new position, Mr. Barrow, who has been with the agency since 1976, will be responsible for policy direction and program assistance in the development of solar energy processes that are ready for adoption by private industry.

Prior to his new appointment, Mr. Barrow was a special assistant in Energy for marketing and finance research. He joined the agency through the President's Executive Interchange Program.

The former World Heavyweight Champion's son came to the attention of the President's Executive Interchange Program while serving as assistant vice-president of the United Bank of Denver where he worked in the trust division and ... managed motor vehicle le...

Mr. Barrow joined the bank upon graduation as a political science major at the University of Denver in 1968.

Officials of the Department of Energy point out that solar energy offers one of the best options for meeting the world's energy needs.

Threat Against Gov't Set-Aside for Minority Businesses Dropped

WASHINGTON

–The threat of snatching millions of dollars from minority businesses and small firms generally through the discontinuance of setting aside or earmarking specified portions of federal procurement contracts for these enterprises has been dropped, White House sources revealed this week.

Texas millionaire Robert S. Strauss, the President's special ambassador for international trade negotiations, had proposed to abolish the set-asides for blacks and other minorities as a possible way of increasing the exchange of business between U.S. firms and foreign manufacturers.

It is reported that Ambassador Strauss was preparing to allow foreign manufactoers to bid on an estimated $10 billion in new U.S. business in exchange for opening up opportunites for U.S. firms to bid on $25 billion worth of European business.

First to react to Strauss' scheme to undercut minorities were Congressmen Parren Mitchell of Maryland and Joseph Addabbo of New York. They have called on Rep. John J. LaFalce, chairman of the Subcommittee, on General Oversight and Minority Enterprise of the House Small Business Committee, to hold hearings and look into the matter.

In a letter to Congressman Mitchell, following a telephone call, Ambassador Strauss assured him that SBA's 8(a) set-aside contracting arrangement for minority businesses would continue, and his negotiations abroad would in no way involve that policy.

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