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Racist Insurance Racket

Lorenzo Kom'boa Ervin

When I was a boy coming up in the South, I used to hate to see the army of white insurance men coming into the Black community. They represented a variety of companies, many long since having been swallowed up by some multinational conglomerate, or not even in existence at all now. But I remember them well.

They engaged in all kinds of crooked hijinks while "writing insurance": driving people into debt, seizing their properties, and even taking advantage of Black women. In fact, one of the worst scandals in my community was the pregnancy of Thelma, the 16 year old daughter of a man up the street from me, who gave birth to a white man's baby. When she was asked about it, she said it was Bob's baby, the white insurance man. He told her that if she didn't have insurance, her and her family would die broke or have their property taken over by the government. He got them into deep debt and then took advantage of this poor girl to pay him in sexual favors for all this. "Bob" was notorious all over my community for this kind of sexual misconduct and other scams, so I made sure that my family would not let that man into our house, or do business with his company.

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It was the late 1950's White people thought they could get away with almost anything in the South in those days, but they wasn't getting a damn thing in my house! I wouldn't let an agent into the house at all, less known that scoundrel "Bob", made them stay on the porch and conduct their business outside. Rain, sleet or snow. I was somewhat frustrated however because I knew I couldn't keep them out entirely because my mother tried to treat them like "regular people". They were hardly that, they were just crooks with ink-pens. I think she trusted them way too much, like she did most white people.

Well, when me and my cousin got bigger and meaner, and after the riots in the 1960's which took place in Chattanooga, they stayed away entirely from my neighborhood, used to just send us letters asking us for the money. Black Power used to scare white folks to death back then. They were afraid for life or limb if they ventured where too many Black folks were, they thought we were all angry.

But that is not what this article is about. Their sexual hijinks aside, the worst thing these insurance companies ever did was to rob Black people by charging them more money for less insurance than whites. For years, I used to tell my mother and others in the Black community that they were being ripped off by these white insurance men, but they just ignored me, thought I just "hated Whites" or was crazy.

Listen, these insurance agents used to have people paying on a policy with a face value of \$200 for 30 or 40 years! Certainly these policies would have long since been paid off. Sometimes, they would only charge \$.40 a week, and here come that white man every Wednesday to collect that paltry sum. But it's not so "paltry," when you got millions of poor Black people all over the South paying it. No matter how long or how loud I screamed about this to my family and the neighborhood, they never paid me any attention. Simply did not believe it. I was a kid anyway, what did I know?

Well, guess what? Seems I was right. It just took 25 years to prove it. American General Life and Accident Insurance Company in Nashville was sued in the mid 1990's by a group of Black Plaintiffs and forced into a settlement for \$206 million, [and an additional \$24 million in legal fees], and then fined by all 50 states for \$7.5 million in a race-based and unfair-pricing lawsuit. They even paid \$2 million dollars in "voluntary contributions" to the NAACP, which had nothing to do with the lawsuit in the case, just giving them "hush money" or for public relations. The settlement became final in September 2000.

American General had taken over a number of old companies: Gulf Life of Florida, Home Beneficial Life Insurance Co., Independent Life Insurance Co., Industrial Life Ins. Co, and others, all of which had routinely charged Blacks higher premiums than whites for burial insurance policies. These burial policies- or "industrial" policies as they were known then-supposedly covered funeral expenses when an insured person died. These policies generally have face values of less than \$1,000.

While the practice of charging race-based premiums mostly stopped in the 1970's, the suit alleged that American General never adjusted premiums to reflect fairer rates. For instance, one plaintiff has paid \$3,000 in premiums for a \$500 burial policy, and this was pretty routine. American General had been collecting the race-based premiums up until a few months in late 2000, when the Florida Department of Insurance issued a notice to the insurance company to stop.

The Florida Department of Insurance has now issued subpoenas to four other insurers who have sold the bulk of burial policies in Florida since 1959. The companies are Capital Security Life Insurance Company, Liberty National Life Insurance Company, Life Insurance Company of Georgia (now controlled by a Dutch conglomerate), and United Insurance Company of America. Although these companies are the ones being acted on by Florida, the fact of the matter is that they sold such race-based policies all over the South.

"Bob" worked for Life Insurance Company of Georgia, and IMHO they were involved in every dirty racist deal in Tennessee and Georgia, that they are being investigated for in Florida. When my mother died recently, I discovered that my family had a burial policy with this company that they had paid for years, way over the premium of \$144. It was paid way back in 1972, but she kept paying until the late 1980's. I believe that this is typical of many Black families, and that the officials in those other states should go after this company, if no other, just like they did with American General.

The real lesson here however is just how thoroughly corrupt the capitalist system is. An insurance company, which is a racket which bets on your death or lack of accidental injury until old age, can charge whatever they can get away with. They charged Black and poor people all sort of policies during their lifetimes during the 1950's and 60's, when they knew full well that these policies were worthless to really bury them. They never renegotiated the terms of the policy, as long as nobody said anything and the "insured" was none the wiser. It's a scam, almost a Ponzi-style scheme, where people sign on thinking they will all be healthy, wealthy and wise but then find out they are just out of money by the promoters. What really needs to happen is that some of these people need to go to jail, instead of just being fined, and their companies should be seized by the relatives of the people who have been defrauded.

Do you know that I am still fighting CONSECO, the company that sold my mother an insurance policy in 1985, supposedly a "prepaid burial policy" that she paid on for 11 years, and nobody can even account for the money and they also refuse to grant a refund? The funeral home company refused to buy my mother with this policy, claiming it was worthless. This is typical of these capitalist money men, they renege on these policies when you need them. Their motto should be: "it's your money or your life, we don't care which!"