



## Consumer Federation of America

1620 I Street, N.W., Suite 200 \* Washington, DC 20006

VIA FAX: 573-751-1495

May 16, 2013

The Honorable Jay Nixon  
Governor of Missouri  
P.O. Box 720  
Jefferson City, MO 65102  
(573) 751-3222

Re: Amend or Veto H.B. 339

Dear Governor Nixon:

The Consumer Federation of America (CFA) urges you to send H.B. 339 back to the legislature for amendment or veto the legislation. The bill would remove legal rights of uninsured drivers including low- and moderate-income (LMI) drivers who simply cannot afford the coverage.

CFA has done extensive research on the affordability and fairness of auto insurance required by the states. Here are some of our key findings:

- For the large majority of LMI households, automobile ownership greatly increases economic opportunities, particularly access to jobs.
- CFA's June 2012 report entitled *Auto Insurers Charge High and Variable Rates for Minimum Coverage to Good Drivers from Moderate-Income Areas* found that over half of the rate quotes to two typical moderate-income drivers were over \$1,000, and nearly one-third of the quotes exceeded \$1,500. The report is available at <http://www.consumerfed.org/news/545>.
- A September 2012 analysis of the five largest auto insurers in five cities found that most insurers used non-driving factors such as marital status, educational levels, occupation, homeownership, and other attributes and that the use of these non-driving factors increased premiums for low- and moderate-income drivers, often by more than 100 percent.
- CFA also commissioned a public opinion poll and that found that an overwhelming majority of consumers do not think it fair for auto insurers to use factors such as level of education, occupation, and lack of previous insurance in setting prices.

The Honorable Jay Nixon  
Governor of Missouri  
May 16, 2013  
Page 2

- In January 2013, CFA released *Largest Auto Insurers Frequently Charge Higher Premiums to Safe Drivers than to Those Responsible for Accidents* which found that the largest auto insurers frequently charge higher premiums to safe drivers than to those who recently caused an accident. In two-thirds of the 60 cases studied, large auto insurers quoted higher premiums to safe drivers than to those responsible for an accident. And in more than three-fifths of the cases with these higher premiums, the premium quoted the safe driver exceeded the premium quoted the unsafe driver by at least 25 percent. The press release and report are available at <http://www.consumerfed.org/pdfs/PR.AutoInsurancePremiums1.28.13.pdf>.
- A CFA analysis of 1,042 rate quotes for minimum liability coverage in St. Louis found that more than 62 percent of rate quotes to a female lower-income good driver were more than \$500, more than 10 percent exceeded \$800 and some as high as \$1,130.
- In large part because of high costs and disparate impacts, many lower-income drivers -- perhaps one-quarter to one-third -- do not carry auto insurance and are driving illegally.

Only one state, California, has effectively addressed the issue of high cost of minimum liability coverage for lower-income good drivers by creating low cost purchase plan that provides coverage for a maximum of \$350 a year in Los Angeles. The details of the California purchase plan are available at <http://www.mylowcostauto.com/>.

Since many lower-income Missourians simply cannot afford the minimum auto insurance requirements, your signature on H.B. 339 would result in the serious erosion of many drivers' economic security. The bill should be sent back to the legislature either for a poverty exception or a delay in implementation until the affordability issue is resolved.

CFA strongly urges you to veto H.B. 339 or return it to the legislature and not sign this bill until the needs of lower-income good drivers are addressed.

Sincerely,



J. Robert Hunter  
Director of Insurance