

# [Minnesota Insurance Commissioner Acts to Protect Drivers from Unfair Auto Insurance Prices](#)

Consumer Federation of America

Insurance giant Farmers has been ordered to refund money, pay a penalty, and change its pricing practices in Minnesota by Insurance Commissioner Mike Rothman after the state's Commerce Department found that the company charged higher auto insurance premiums to drivers who did not own their homes. Auto insurance premiums cannot be tied to customers' homeownership status under Minnesota law. As Commissioner Rothman explained when announcing the enforcement action against Farmers: "You should not be forced to buy a house in order to get a fair price on your auto insurance. It is not only unfair, but in Minnesota it is also illegal for an insurance company to charge more or discriminate against drivers simply because they happen to rent their homes." According to a Minnesota Consent Order, Farmers will refund \$315,317 to 1,620 customers, pay a \$75,000 fine, and change its practices so the company's auto insurance policyholders will not be priced differently based on their homeownership status. Consumer Federation of America, which released a 2016 report showing that drivers around the country are often surcharged for being renters, applauded Commissioner Rothman and Minnesota Commerce Department staff for taking action against this unfair and illegal pricing practice. "Commissioner Rothman was right to take action and speak out against unfair auto insurance pricing. It is critical that he and Commissioners around the country make it clear that auto insurance prices must be based on real risk factors and not personal or economic characteristics such as whether or not you can afford to buy a home," said J. Robert Hunter, CFA's Director of Insurance and former Texas Insurance Commissioner. In its 2016 report, CFA found that Americans paid, on average, seven percent more – about \$112 per year – for the same auto insurance coverage if they were a renter instead of a homeowner, based on a sampling of insurance quotes across the country. The use of homeownership status in pricing particularly hurts low- and moderate-income Americans, according to CFA, noting that Federal Reserve Board data show that the median income of renters in the U.S. was \$27,800 in 2013

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compared with \$63,400 for homeowners. The report was one of a series of reports CFA has issued over the past several years highlighting various non-driving-related “rating factors” insurance companies use that consistently force higher premiums onto working families. Other non-driving factors often used by auto insurers include job title, level of education, and credit score. The series of CFA reports on auto insurance can be found here. While Commissioner Rothman brought the action under a Minnesota law expressly prohibiting companies from tying auto insurance prices to homeownership status, CFA said that a similar action could be taken by most Commissioners, simply by enforcing the prohibition on “unfair discrimination” in insurance pricing that is found in almost every state. New York Superintendent of Financial Services, Maria T. Vullo, for example, recently pointed to that state’s law against unfairly discriminatory rates as a basis for proposing regulations that would limit insurers’ ability to consider drivers’ occupation or level of education when setting premiums. “It is very encouraging to see Insurance Commissioners standing up for consumers by standing against unfair pricing in the insurance industry,” said Hunter. “For the sake of hard-working Americans who are required to purchase auto insurance by laws in almost every state, we want to see more of this around the country.” Contact: Richard Eckman, 202-737-0766 The Consumer Federation of America is an association of more than 250 non-profit consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy.