

# **LCC Task Force on Homeowners and Commercial Property Insurance: Member ideas on issues, challenges and problems**

Note: This document compiles ideas generated by task force members in response to the following prompts:

- What are the problems the task force seeks to solve?
- What are specific issues or challenges to highlight as the task force begins its work?

Ideas have been grouped by potential themes for discussion at the October 1, 2025 task force meeting.

## **Themes by topic area / policy area**

### **1) Cost/affordability**

- a) Affordability concerns are causing an increase in pre-foreclosure notices
- b) Imminent pre-foreclosure crisis for individual homeowners
- c) Minnesotans can afford to buy insurance for their home and business AND afford to use it when they need to.
- d) Increasing cost of insurance, cost of insurance
- e) Angst with the cost of insurance
- f) Affordability and availability (of insurance)
- g) Affordability measures
- h) What are practical revenue sources to help fund insurance cost relief (such as re-insurance subsidies)
- i) Practical revenue sources that we could tap, for example for reinsurance.
- j) Challenge: understanding what is driving the cost of insurance and if drivers equate to current premiums
- k) Addressing factors that contribute to the rise in the cost of insurance in the state of Minnesota
- l) Role of the reinsurance market. Is it playing its traditional role? How could it be bolstered?
- m) Bringing cost drivers down

### **2) Resilience/Climate/Risk Reduction**

- a) Effect of climate change on insurance rates
- b) Construction materials are not resilient in our climate
- c) Lack of understanding by consumers what coverage they have and what coverage they need
- d) Insufficient incentives for risk reductions and reducing risk exposure.
- e) Affordability and resiliency measures, mitigating various factors that are driving significant premium increases, consumer education on these issues and solutions
- f) How can we incentivize/promote risk reduction actions?
- g) Increased frequency and severity of severe weather events
- h) Resiliency measures
- i) Insufficient consumer education on resiliency measures and mitigating factors that drive significant premium increases.

### 3) Safety Net

- a) Safety nets for insurance markets / interaction with surplus markets.
- b) Limited or no safety net coverage for Minnesotans
- c) Availability of insurance, especially for HOAs and other multi-family housing

### 4) Regulatory factors

- a) Lack of rate regulation
- b) Problem: Dept of Commerce process to negotiate rates (or lack of sufficient information about the process)
- c) Onerous for companies to get approval to sell lines of insurance in MN. Takes long time, limits competition
- d) Market regulation (shifts to less regulation in other states - question if this is good for consumers)

### 5) Liability issues/legal issues/tort reform

- a) Liability claim settlement amounts are significant
- b) Cost of liability insurance rise due to "nuclear" settlements. Some sort of cap.
- c) Commercial space- liability lawsuits - 2x more per unit to insure apartment units
- d) Tort reform- third party litigation funding (TPLF). Who is making the decisions-investor or claimant? Should be required disclosure if TPLF is involved.
- e) Commercial space- liability lawsuits - 2x more per unit to insure apartment units
- f) Commercial - lawsuits are scaring carriers
- g) "Anchoring" of suggested award amounts

### 6) Claims process and parties

- a) Price gouging and contractor driven claims.
- b) Contractors acting as unlicensed public adjusters (see IA's law on this.)
- c) Cost of claims as primary driver. Some constructive legislative actions on storm chasers. Are there places in the appraisal process that could make tangible results?
- d) The rise in the number of storm chasers operating in the state after significant weather events.
- e) Construction materials are frequently discontinued

## Themes by housing type (commercial market)

### 7) Homeowners Associations (HOAs)

- a) State 515B statute - examine changes to address affordability?
- b) Insurance costs increasing as share of HOA budgets from 10% to 60%.
- c) Associations. Poor resource management. Example Florida-many associations were under Needy Resources (spelling?) and did not get needed maintenance

- d) Regulation of HOA management companies. Use of own contracting CO's and public adjusters to drive price of claim higher (10% fees charged on top of claim) This cost is then sent to the unit owners via loss assessment. Enacting legislation may not solve the issue. Who will enforce this.
- e) HOA policies include additional costs (mgmt fees, etc) that are not part of typical individual homeowner policies.
- f) Who regulates claims on the H-O-6 side? Seems like a free-for-all, more fees added to claims, driving up prices.
- g) Cost of insurance, especially for HOAs and other multi-family housing

## **8) Multifamily affordable housing**

- a) High and increasing insurance costs causing affordable rental properties to sell/close
- b) Decrease in insurance providers willing to insure affordable housing
- c) availability- loss of insurance providers for affordable housing. 50+ applications for 1 quote
- d) Development is hindered for affordable housing, and this is stressing the industry.
- e) Ensuring affordable developers can get affordable insurance
- f) Affordable housing developers and providers are not able to get affordable rates.
- g) Challenge to preserve [affordable housing] properties to make them more resilient to get insurance (security, maintenance, etc.)
- h) Inability to get insurance for affordable housing properties even with resilience measures.
- i) Amount of time spent applying for insurance [for affordable housing properties] is ridiculous.
- j) Cost of insurance, especially for HOAs and other multi-family housing

## **Other input**

## **9) Principles/values/other advice**

- a) Understanding potential responses to recommendations and legislative actions - they can bring in new insurers or drive existing ones out.
- b) The insurance market will be responsive to what happens. Look to actions in other states and how insurers responded
- c) Focusing task force's attention and work on what the legislature can deal with.
- d) Complexity of issues and solutions
- e) Defining affordability is going to be hard.

## **10) Task force process/other questions**

- a) State-by-state issue
- b) How do we ensure insurers will pass along changes identified/recommended by task force?
- c) What are things that the legislature is actually able to solve?
- d) Hope we can identify real changes and that they result in more affordability and availability.
- e) Which issues are amendable to legislative solutions? Which issues defy legislative solutions?
- f) Limited members of task force orgs missing