



Testimony to the Taskforce on Homeowners and Commercial Property Insurance

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Mr. Chair and Members of the Committee. Thank you for the opportunity to testify.

My name is Julia Nerbonne. I'm the Executive Director of Minnesota Interfaith Power & Light. Our organization collaborates with faith and spiritual communities committed to taking meaningful action to address the climate crisis. Part of that crisis is increasingly being born out in the lives of Minnesotans as they struggle to deal with the impacts of extreme weather. We believe that insurance is an exceedingly important tool for helping mitigate the random, unpredictable and yet increasingly common disasters that have befallen Minnesotans. From wildfires, to extreme wind, from floods to deep freezes. Minnesotans see it all. Across the state people are talking about this congregational coffee hours.

I would like to share with you the outcomes of community forums we organized across the state this year to hear about people's specific experiences with insurance, and how they are building local community resilience to prepare for and respond to these challenging events.

I want to thank Peter Brickwedde from the MN Department of Commerce, who attended all of these sessions to present and to hear directly from residents. Local communities truly appreciated that he was there to listen and provide information.

Over the past 4 months we held community forums in Morris, Alexandria, Woodbury, St Peter and conducted interviews in Duluth and Winona. We worked with the Morris Project, The West Central Initiative, Douglas County Emergency Services, Gustavus Adolphus College, the City of St. Peter, the East Metro Eco Faith Network, and congregations across the state to put on these sessions. We heard from over 140 people: emergency managers, insurance agents, mayors, city council members, county commissioners, homeowners, business owners, local news representatives, city,

farmers, county employees, clergy, community leaders, insurance representatives, environmental experts and students attended these sessions.

A comprehensive report of these visits will be available on our website www.mnipl.org in the coming month.

I'll begin with noting that local government employees expressed serious concerns about the increase in extreme weather in general. They noted the financial burden of incurring immediate expenses tied to search and rescue operations and essential supplies—such as food, water, and temporary housing. They are concerned about the rollback of federal funding for disasters and were eager to talk with us and partner on hosting these listening sessions.

I wanted to note this because as we do the work of engaging the public around property insurance, we find that those county emergency professionals on the front lines of disaster response are some of the most trusted and connected people in the region.

And now on to what people said about their property insurance.

- We heard overarching concerns across the regions related to rising cost of insurance, high deductibles, diminishing coverage.
- People asked about how the state could require greater transparency for insurance companies.
- People reported difficulties navigating insurance disputes because of the complexities of current insurance policies, noting that requiring more documentation can be overwhelming amid the trauma and disruption caused by weather events.
- In some cases people reported insurers contesting the specific cause of damage, leaving homeowners struggling to provide evidence.
- Some were surprised to learn that their policy limits were based on pre-disaster rebuilding costs which proved to be inadequate to meet the demand surge, which drives up the cost of labor and materials after widespread damage.
- It appears that after some disasters, the volume of claims overwhelms insurance adjusters, resulting in substantial delays in assessments and payouts.

Here are some stories from the listening sessions:

MORRIS:

- A farmer reported that he had to replace the roof on his house 4 times in 20 years due to frequent storms.

- One of the participants was an executive at St. Francis Health Services that provides senior care. Because, in part, of rising costs of insurance they may be shutting down an assisted living facility in the Morris area, forcing some families to travel 90 miles to visit a loved one in the next nearest facility.
- One farmer recounted an initially negative encounter with an adjuster who lacked expertise with grain silos. It required a fourth adjuster—someone with agricultural knowledge—who dedicated two days on-site to resolve the claim successfully.
- It was noted that weather disasters are damaging to water infrastructure and this can disrupt farming, causing crop and livestock losses and expensive repairs. Insurance policies limit and often exclude coverage for this types of infrastructure.
- One family reported having to tarp their roof over the winter because they were unable to get an assessment.
- One mentioned a need to support local weather stations to provide accurate, hyper-local data for safety and preparation.

ALEXANDRIA:

Much of the discussion focused on a devastating storm and a tornado that caused extensive destruction in 2022.

- Participants had mixed experiences with their insurance companies. Some individuals were fortunate enough to receive up to 90% of their insurance payouts for rebuilding efforts following the tornado. Others had no insurance and lost everything they owned.
- The group expressed appreciation for the involvement of knowledgeable county and city officials who collaborated with residents to clear roads and check on neighbors. This highlighted the critical role of community engagement in the recovery process.
- Participants also noted the strain on claims adjusters and mentioned the use of new technology, such as drones, as being inadequate for their needs.
- People want to learn more about fortified roofs, both for enhancing safety and potentially lowering insurance costs.
- Residents want to support their local government to seek state resources to foster resilience and improve communication to be better prepared to face weather events.

EAST METRO:

East metro residents expressed real frustration and confusion around Planned Unit Developments PUD and HOAs. This area is experiencing an exponential growth of PUDs and are concerned about how insurance will adequately cover these new businesses.

- HOA boards lack expertise to negotiate with insurance claims adjusters. Residents of PUDs blame the boards for the outcomes of these negotiations.
- Condominium, townhouses and apartment owners are unaware of the boundaries between their individual insurance policies and the master policies held by their Homeowners Association (HOA). This leads to misunderstandings, especially after losses related weather related events. There is confusion over where the association's master policy ends and the individual homeowner's policy begins.
- People are frustrated, but the Department of Commerce does not regulate PUD and HOAs and residents feel abandoned.
- Some PUDs are facing soaring insurance premiums and are accepting much higher deductibles, sometimes tens or hundreds of thousands of dollars. This trade-off could make communities ineligible for certain loans (like FHA), affecting resale values and financial stability.
- People expressed concern that the state is not monitoring the rapid construction of low-quality town homes in these areas that are deteriorating fast, especially with the exposure to the harsh weather in Minnesota. Construction companies are not being held accountable, leaving homeowners to bear the costs of deterioration and impact of severe storms. These properties are expensive and difficult to ensure.
- People would like to see more protections for insurance consumers. They advocated for more regulation of insurance companies, an office to handle consumer inquiries and complaints, and enforce laws.

ST PETER:

St Peter is part of Tornado Alley, St. Peter is subject to the risk of severe weather.

- Some people remember the Comfrey/St. Peter tornado, which peaked at F4 strength and devastated the region.
- That tornado resulted in over 17,000 claims and approximately \$201 million in total damage estimates. The impact was felt by insurers, residents and key institutions like Gustavus Adolphus College. 224 single-family homes were destroyed, 445 single-family homes had major damage., 609 single-family homes had minor damage, and 33 apartment units were destroyed.
- People in St Peter reported real concerns about affordability and their ability to recover from an event like this today.

- The conversation focused on the region's needs for climate adaptation techniques, fortified roofs, local resilience planning and community level response mechanisms
- People worry about the fragility of the power grid and the public infrastructure.

These stories have confirmed that Minnesotans are experiencing the effects of more limited availability and affordability of insurance. In addition to hearing directly from those impacted, our organization works to compile information that helps us understand insurance access. I'd like to share a few of these studies and ask that you consider them as you deliberate.

- Another issue that requires careful study is the effect that rising insurance costs are having on renters and affordable housing availability. A [survey released in March by the Federal Reserve Bank of Minneapolis](#) confirmed that rising insurance costs are a factor in rent increases.
- This past August the Consumer Federation of America and the Climate & Community Institute built on academic work by the University of Minnesota's Nick Graetz releasing an issue brief titled "[Penalized](#)". The report found that while more frequent and severe climate-driven disasters are an important driver behind increasing homeowners insurance premiums, they are only part of the story. The issue brief then went on to show that in many states, including Minnesota, "It is more expensive to have a low credit score than to live in an area with a high disaster risk."
- Lastly, I hope you'll take a look at a study by the New York Department of Financial Services concluded that "insurance companies and producers often ask whether buildings contain affordable, subsidized, or Section 8 units in order to make decisions about which properties to insure and at what price." Following that study, New York's legislature amended state insurance law to ban discrimination based on the presence of regulatory agreements, government assistance, rental subsidies or the ownership structure.

I'd like to conclude by thanking this taskforce for taking up these important issues. I haven't endeavored to provide specific solutions during this testimony, but I'll let you know that our team is thinking about 2 important buckets of solutions that are needed in Minnesota.

- 1) A set of policies that focuses on strengthening the capacity for communities to adapt to the impact of extreme weather. I loved hearing from Michael Newman and am excited to work to promote solutions such as fortified roofs. By investing in implementing adaptation measures and rewarding communities for fortifying their communities we will create a win win.

- 2) This alone won't address all of the issues related to equity, transparency and ultimately the pressure for public assets to fill in where the insurance industry has failed. As you think about families such as those in Bemidji who still have a tarp on their roof, I encourage you to think big. What kinds of transformative change will be needed to provide risk mitigation that truly leads to a state where we share the burden and the benefit of a robust insurance system.