

Insurance trade group calls on Ellison to investigate alleged HOA malfeasance

By: [J. Patrick Coolican](#) - October 25, 2024 6:00 am



A townhome at Villas at Pheasant Ridge in Otsego. Photo by Madison McVan/Minnesota Reformer.

A property insurance trade group is asking Minnesota Attorney General Keith Ellison to investigate an Otsego homeowners association, their property manager and a construction company subsidiary after allegations made by residents [in a recent Reformer story](#).

Homeowners at Villas at Pheasant Ridge were charged more than \$18,000 each to replace their roofs, resulting in multiple liens on residents' homes.*

In Minnesota, HOAs can issue liens against residents' homes for failure to pay dues or special assessments like the roof replacement.

The Pheasant Ridge homeowners are especially alarmed that the HOA board steered the roofing work to a contractor that's a subsidiary of their property manager.

The *Reformer* story, writes Aaron Cocking, CEO of the Insurance Federation of Minnesota, "contains serious allegations that we feel need additional review and scrutiny."

The article detailed how some residents didn't think the roof replacement was necessary following a July 2023 storm, and that the HOA board and property management company, Gassen, had discussed a roof replacement before the storm even happened.**

The HOA wound up hiring a Gassen subsidiary to complete the roof replacement without seeking relevant, competitive bids.

Cocking — who writes that he is not representing any specific insurance company — called the arrangement with the Gassen construction company “alarming.”

“Without a competitive bidding process, there is at least a conflict of interest. At worst, it’s a pathway to price gouging and insurance fraud,” Cocking adds.

Eden Prairie-based Gassen, which didn't respond to requests for comment before the *Reformer* article was published, did not respond to an email or phone message Thursday.**

Brian Evans, a spokesman for Ellison, said the Office of Attorney General is reviewing the Insurance Federation’s letter and will respond, while also bringing the concerns to the bipartisan legislative task force that is studying HOA law and proposing potential reforms. “Attorney General Ellison’s Office takes allegations of illegal behavior very seriously,” he said.

The Minnesota homeowners insurance industry has been battered lately, having lost money in six of the past seven years, according to a *New York Times* [report](#) this year. The *Times* report cited an increase in extreme weather events. Policyholders have seen rapid premium increases as a result.

But the industry also blames the proliferation of fraud. The [FBI says](#) insurance fraud totals at least \$40 billion per year, costing the average American family between \$400-700 annually.

The [Reformer story](#) also highlighted the gaps in the state’s oversight of homeowners associations and property management companies, and the financial pressure HOAs can put on homeowners.

Affected residents say they have little recourse when they believe their HOA or property manager are making poor decisions.

When homeowners at the Villas at Pheasant Ridge asked questions about the roof replacement, those questions were eventually directed to lawyers, and the residents were charged for the legal fees. One resident’s HOA bill included \$2,000 in legal fees for lawyers’ responses to his questions.

If you believe your homeowners association or property manager has engaged in questionable practices, please contact reporter [Madison McVan](#).

**A previous version of this story incorrectly stated that the HOA initiated foreclosure proceedings related to the roof assessment. The foreclosure notice was related to a different lien initiated by the HOA, though the HOA has initiated another lien on the property related to the roof assessment.*

***Editor’s note: After declining to comment before publication of the story, Gassen contacted the Reformer through a PR firm more than a week after publication.*

Gassen’s PR representative said Gassen and the HOA were in the process of filing a claim to fix hail damage from August 2022 when the July 2023 storm caused additional damage.

The company defended the decision to replace the roofs, citing “damage to fascias, gutters and other soft-metal installations which impact the integrity of the roof,” as well as the fact that replacing only some shingles would be impossible as the shingle type is no longer manufactured.

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