

BUSINESS

Property insurance rates in Minnesota climbing fast with no end in sight

“It’s a disaster, quite frankly,” a longtime agency owner said of the industry, which has suffered heavy losses in recent years.

By **Bill Lukitsch**
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LuAnn Paulet, an owner of Insurance by Design an independent agency that handles among its services home insurance, works alongside her 9-year-old Labrador Retriever Sherman and colleague’s 3-year-old Staffordshire Terrier Sylie at her office in Rosemount, Minn., on Wednesday. (Anthony Souffle/The Minnesota Star Tribune)

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Like many of her clients, insurance agent LuAnn Paulet has wished for a bad hailstorm.

Property owners have “forever” viewed their policies as maintenance contracts, she said, keeping fingers crossed for just enough damage to win cheap repairs on aging homes. But rates are rising so quickly as coverage diminishes, “it’s a disaster, quite frankly,” she



Following the devastating Los Angeles wildfires, poised to become the country's most expensive natural disaster on record, with costs estimated in the tens of billions for insured losses alone, insurance experts are worried about the toll of a changing climate on an unstable industry built on pricing risk – and the potential consumer fallout.

Heavily [driving increased costs for Minnesotans](#) are severe wind and hailstorms. In 2023, a single storm swept the Twin Cities and central Minnesota, leaving behind roughly \$1 billion in claimed losses. That came one year after the costliest season in state history in 2022, which tallied \$6.3 billion in storm damage.

Events of such magnitude are striking the country with far greater regularity, according to data maintained by the [National Centers for Environmental Information](#).

Risk is the chief factor that governs home insurance bills, and states regulate the industry to ensure fairness in pricing and coverage. But some researchers point to a growing gap between risk and insurance rates, as leaders in high-risk regions face intense political pressure to keep rates low at all costs.

Daniel Schwarcz, a professor at the University of Minnesota with expertise in insurance law, said there are different ways to answer how high-dollar climate catastrophes can influence the home insurance market across state borders.

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Regulatory pressures in some states create distortions, he said, such as artificially low rates in California and Florida, that may encourage insurers to seek compensation in states more forgiving of increases. Recent evidence has supported that position, he said.

Another factor is that an unprecedented event – like the California wildfires – broadly changes risk calculation for that eventuality, causing prices to rise more broadly.

As the market continues to grow more “dysfunctional,” Schwarcz thinks the federal government should take a more active role in regulating property insurance.



Rows of houses destroyed by the Palisades fire in Los Angeles. The wildfires in California have led insurance experts to raise questions about the impact of climate change on the industry. (Wally Skalij/Los Angeles Times)

‘A real challenge’

Even absent a coastline with storm threats or a year-round climate that carries the possibility of a wildfire, homeowner premium costs are rising faster in Minnesota than most other states, data collected over the past few years consistently show. An S&P Global analysis of 2017 through 2023 data found the state ranked 12th for the rate of home insurance premium increases.

The Minneapolis Fed over the summer put out a report examining the rise of home insurance costs across the northern region as providers notch greater losses. It pointed to a 39% increase over a seven-year period in Minnesota, well above the pace of inflation, with premiums shooting up 15% on average just in 2023.

While premiums jump and coverages scale back, Minnesota’s private home insurance providers have struggled to turn a profit in recent years.

Aaron Cocking, president and chief executive officer of the Insurance Federation of Minnesota, said 2024 marked the first time in the

past six years when carriers actually made money in the state.

Losses reached a high-water mark in 2022, when carriers paid about \$1.92 in claims for every \$1 collected in premiums, Cocking said, with weather disasters a key driver.

To stay in business, insurers need to make enough money to at least cover the risk of a given area. Over past years, Cocking said, some insurers set premium increases just below the legal threshold to avoid triggering rate hearings.

California has witnessed a mass exodus of insurance companies. Cocking said that happened because the companies were unable to get the rate they needed – a problem Minnesota has also seen to some extent.

“I think California felt, as they were doing that, that they were protecting consumers,” Cocking said, adding: “Do you think that those consumers now feel protected from what happened? Or would they have rather paid a little more in premium and still have their insurance now?”

Although Minnesotans enjoy a relatively competitive market, Cocking said that could change in an unkind environment.

“It’s a real challenge for insurers to get the rate that they need,” Cocking said. “The only thing worse than unaffordable insurance is unavailable insurance. And I think that’s become pointedly evident with what we’re seeing in California.”

Regulators' role

Many Minnesota policyholders are growing increasingly frustrated.

Property insurance-related complaints to the Department of Commerce, which regulates insurers doing business in the state, doubled between 2020 and 2023. Common grievances were high costs after wind and hail damage, as insurers narrowed coverage and increased deductibles.

The role of the department is balancing the interests of consumers and insurance providers, Commissioner Grace Arnold said.

She stressed that the rates Minnesotans pay are based “on the conditions we’re experiencing here in Minnesota,” saying disasters in California are unfortunate but regulation is left to individual states.

Still, one way the financial toll of California’s multibillion-dollar disaster may ripple out is through more expensive reinsurance – the insurance that insurance companies buy to contain their own exposure – which weighs risk and sets cost on a global scale.

Insurers also say the cost of rebuilding is rising, driven by factors like limited labor and more expensive materials and technology.

For the most part, Arnold said Minnesotans are not encountering “deserts of insurance.” Cases of insurers unwilling to write coverage are rare compared with other states with greater risk levels.

There is a backstop for residents unable to secure private insurance. But few use the Minnesota FAIR Plan, the insurer of last resort established by the state, said Gary Rupp, its executive director.

At its height, Rupp said, the plan carried about 12,000 policies. Today it has 3,338.

But applications increased last year: In 2024, the number rose by nearly 50%, Rupp said, though the overall number of new policies issued went up only 6%.

Paulet, the independent agency owner, recalled Wisconsin-based Secura’s exit from doing business in Minnesota in 2023. The company quit writing home and auto insurance policies in Minnesota, along with other states in its coverage area, on the heels of heavy weather-related losses.

She views that as another sign of hard times while the industry undergoes a “fundamental shift.” Premiums are shooting up so quickly, Paulet said, that she sees a 30% increase to renew as a relatively attractive option.

“It’s bad. It’s gonna be bad,” Paulet said, adding that she had been advising clients to look forward to 2026.



LuAnn Paulet owns Insurance by Design, an independent agency in Rosemount that sells home insurance. (Anthony Souffle/The Minnesota Star Tribune)

Destruction in Blaine

At least one Minnesotan is quite happy with her home insurance provider – even though her bill is getting more costly.

Rena Hammes, a Blaine retiree, has kept American Family Insurance for about 40 years. Her latest premium increase is about 20%, she said, which she learned in a recent letter.

She and her husband live in a community with well-kept yards. In June 2017, a destructive storm turned her neighborhood upside down.

Hail pummeled one side of her house for about five minutes. One of the first things she did was take photos. Then she called her insurer.

All told, the damages amounted to about \$98,000, Hammes said, to replace windows, two doors, an air conditioner and the roof.

“The damage was so extensive. It was crazy,” Hammes said, recalling trees stripped bare.

She counted herself lucky to get her home fixed so quickly. Some of her neighbors waited about two years, she said, before all was said and done.

So, when her latest increase came in the mail, Hammes understood.

“It’s not like they’re doing it just to my household,” she said. “Everybody is in the same boat with this. It’s all the same everywhere.”



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