

Minnesota house insurance premiums leap after just one claim

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Minnesota tops the nation in terms of how much the cost of a homeowners insurance policy jumps after a claim.

Filing just one claim raises the annual premium cost in Minnesota an average of 21.2 percent, according to report out Wednesday by InsuranceQuotes.com, an online insurance marketplace. That's significantly above the 9 percent national average.

Connecticut was a close second at 20.6 percent. Texas, which outlaws premium increases after claims, came in last at zero.

"We were really surprised by how much the increase varies depending on where you live," said Laura Adams, senior insurance analyst at InsuranceQuotes.com, which is owned by Bankrate.com.

Adams said she thinks the severe storms and tornadoes that have pummeled Minnesota since 1998 are driving Minnesota's high premium increases, as insurers play catch-up with the higher level of risk on their books. That Minnesota has become catastrophe-prone is the basic argument insurers have made for the rate increases that have stung Minnesotans in recent years.

The takeaway for Minnesotans, according to Adams, is that they need to carefully weigh the pros and cons of filing a claim with their insurer. Claims should be used only for catastrophic, unforeseen events — not a baseball through the window, she said — and it can be more cost-effective for homeowners to pay for simple repairs themselves.

Minnesotans already pay higher-than-average premiums for homeowners insurance. The insurance costs an average of \$909 nationally but \$981 in Minnesota, making the state No. 14 for costs. That's according to the latest available data, from 2010. Texas is the most expensive, with an average of \$1,560.

Tim Vande Hey, deputy commissioner of the insurance division at the state Commerce Department, couldn't immediately be reached for comment.

Amy Bach, head of United Policyholders, an insurance consumer advocacy group in San Francisco, said she thinks it's unfair for insurers to raise premiums after one claim.

“If insurers feel there’s that strong a correlation between one claim and the rates they need to charge — they should give their customers partial refunds in the years they don’t file claims,” Bach said.

Mark Kulda, spokesman for the Insurance Federation of Minnesota, which represents property and commercial insurers, said he has issues with the InsuranceQuotes.com methodology.

But Kulda also said he suspects one key reason the study found such a premium spike in Minnesota is that the state doesn’t allow insurers to drop or take other adverse actions against policyholders who have had multiple weather-related claims. So they remain in the risk pool.

Other states, by contrast, typically allow high-risk policyholders to be put into a special insurance program, he said, such as Minnesota’s FAIR Plan.

Kulda said his group has good internal data showing that policyholders who file one weather-related claim will very likely file another.

Kulda said he also suspects some underhanded practices put pressure on premiums, such as unscrupulous “storm chasers,” contractors who make expensive, and not always necessary, home repairs after storms.

InsuranceQuotes commissioned the study from Quadrant Information Services, an insurance information provider in Reno, Nev., that provides insurance premium data for major carriers.

It focused on a typical policy for an 1,800-square-foot home with \$144,000 in dwelling coverage, using premiums from up to six of the largest homeowners carriers in each state.

Percent differences were calculated by comparing the premium for a policy with no claims against the same policy with a first-time claim up to \$30,000) filed within one year of a new or renewing policy.