



2024 HOA INSURANCE SURVEY RESULTS

A First Look at the Impact of Rising Master Insurance Premiums Among Homeowner Associations in Minnesota.

November 2024



HOA LEADERSHIP NETWORK

By Board Leaders. For Board Leaders.



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2024 HOA INSURANCE SURVEY OVERVIEW

In recent years, townhome, condominium, and other homeowner associations (HOAs) in the Minneapolis – St. Paul metropolitan area have faced master insurance policies with rapidly increasing premiums and restrictive limitations and exclusions. In addition, the number of insurers offering HOA insurance is declining. Sharply increasing insurance costs are placing serious financial burdens on HOAs and their homeowners.

The Minnesota Common Interest Ownership Act (MN Statute 515B) and the HOA’s governing documents require that HOAs maintain property insurance to help protect the HOA and its homeowners from covered losses, especially damages caused by wind and hail. Each HOA’s elected board leaders have fiduciary duties to protect the HOAs property values, in part by maintaining HOA master insurance. The master insurance premiums, like other HOA expenses including lawn care, snow clearing, and building maintenance, are paid by HOA homeowners as monthly dues.

In this document, we present the results of our first survey of HOA Leadership Network member board leaders regarding cost and access to HOA master insurance.

SURVEY METHOD

- Worked with professional research consultant to develop survey questions and response sets.
- Online survey offered by email newsletter to 750 HOALN members between August 13-31, 2024.
- Data collected for 2022-2024.
- Five reminders sent. Seventy-four (74) surveys returned (9.6%).
- Recipients were asked that one survey be completed per HOA.



2024 HOA INSURANCE SURVEY FINDINGS

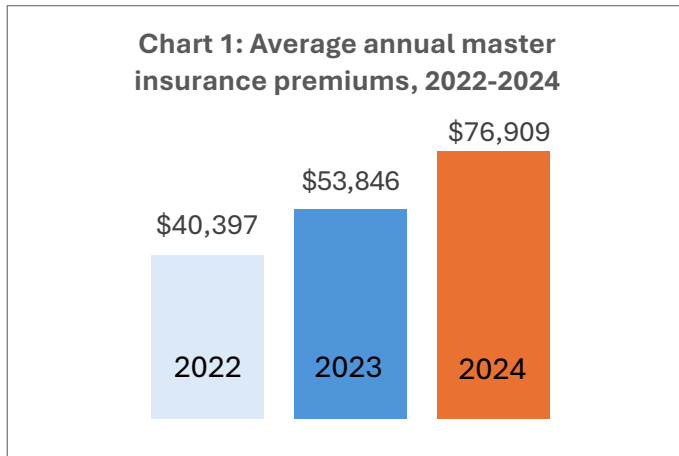
The HOA board leaders who responded to our insurance survey reported the following factors that are affecting the management and financial welfare of their associations and their residents:

1. HOA **master insurance premiums have increased** sharply during the three-year study period expressed in total premium dollars for the HOA, as homeowner annual dues payments, and as a percentage of the HOA's operating budget.
2. **Fewer HOA insurers are offering policies** in Minnesota, forcing HOAs to accept policies without competitive bids and at higher premiums.
3. **Some HOAs have been denied** insurance coverage and are forced to accept policies in the secondary insurance market with significantly higher premiums.
4. **HOA insurers often add limitations and exclusions** that make some HOAs ineligible to obtain insurance coverage.
5. Rapidly rising master insurance premiums are having a **significant negative affect** on financial operations for many HOAs and are causing financial burdens on their homeowners, many of whom are age 65 and over.
6. **The HOA Leadership Network could play a role in helping HOAs** better understand and stay informed about the HOA insurance landscape, to collaborate and advocate with policy-makers for HOA interests, and to engage with HOA insurance companies.



Section I. INSURANCE PREMIUM IMPACTS

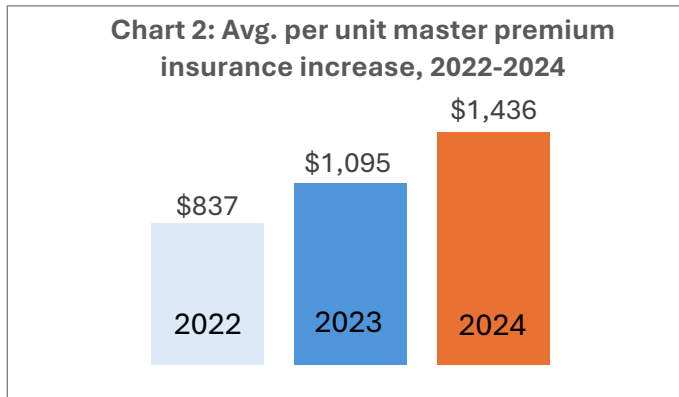
This section looks at how HOA master insurance premiums have changed during the study period in total dollars for the HOA, as homeowner annual dues payments, and as a percentage of the HOA's operating budget.



< PREMIUM INCREASES

FINDING:

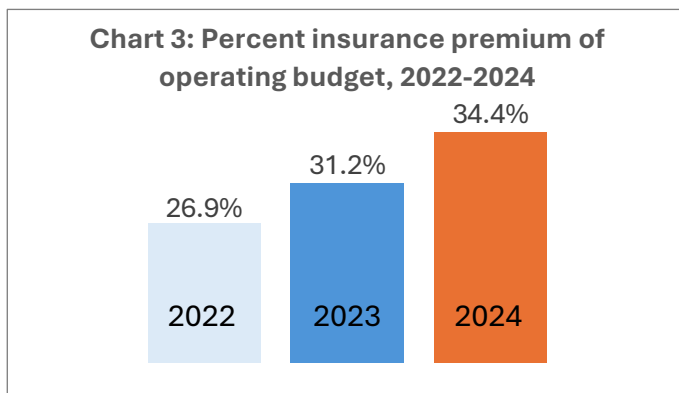
Respondents reported a \$36,512 (90.4%) increase in average total annual master insurance premiums from 2022 – 2024.



< PER UNIT PREMIUM INCREASE

FINDING:

Respondents reported a \$599 (71.5%) increase in average total annual master insurance premiums per housing unit from 2022 – 2024.



< PERCENT OF OPERATING BUDGET

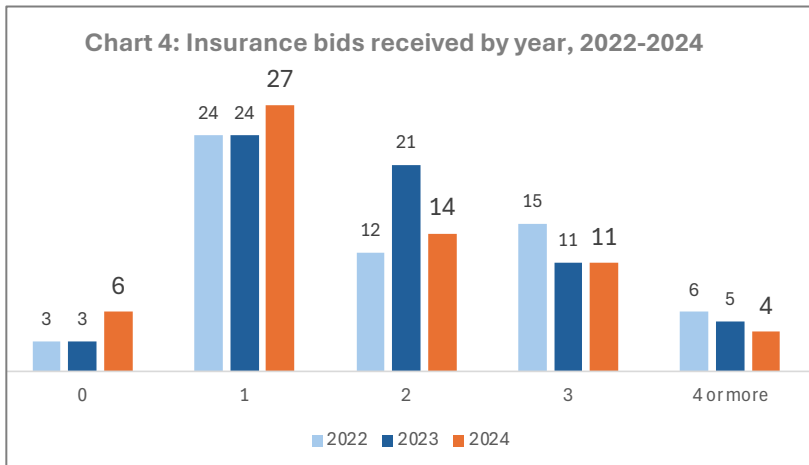
FINDING:

HOA master insurance premiums now account for more than a third of HOA operating budgets, based on responding HOAs.



Section II. INSURANCE BIDS AND CLAIMS

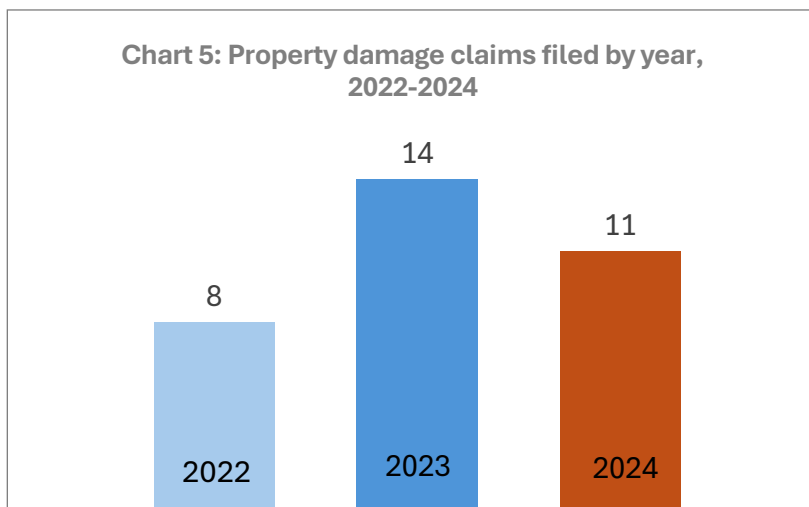
This section presents the number of master insurance bids received and property damage claims filed during the study period.



< INSURANCE BIDS

FINDING:

The number of HOAs receiving no or only one HOA master insurance bid increased during the study period, while the number receiving two or more bids declined.



< PROPERTY DAMAGE CLAIMS

FINDING:

Responding HOAs filed an average of 11 total property damage claims each year during the study period.



Section III. DENIALS AND NON-RENEWAL

This section presents the number of HOAs that reported their HOA master insurance was denied or not renewed, the main reasons for the denial or non-renewal, and the number of HOAs that obtained insurance on the secondary insurance market.

Table 1: Insurance Denial or Non-Renewal

Denial or Non Renewal 2022	Denial or Non Renewal 2023/2024
4	8

< NON-RENEWING COVERAGE

FINDING: The number of HOAs reporting that their master insurance policies were denied or not renewed doubled during the study period.

MAIN REASONS FOR DENIAL AND NON-RENEWAL

1. The number of insured buildings in the HOA exceeded the insurer's limit.
2. The value of the HOA property exceeded the insurer's limit.
3. The insurance company was leaving the HOA insurance market in Minnesota.
4. The number of property damage claims filed by the HOA exceeded limits.
5. The insurer's risk assessment deemed the HOA too risky to insure.



Section IV. LIMITATIONS AND EXCLUSIONS

In this section are presented limitations and exclusion placed on HOA master insurance policies.

FINDING: *Of the 62 HOAs responding, 23 (37.1%) reported that one or more limitations or exclusions were placed on their insurance policies. The most frequent limitations or exclusions placed on HOA master insurance were:*

1. Grills on decks (16)
2. Matching siding and other building materials (13)
3. The number of housing units (6)

Other limitations or exclusions reported included the age of the housing units, electrical systems, and roof condition. See Table 7 below for common exclusions.

Table 2: Exclusions added to HOA master insurance policies by year

	Age of Buildings	Matching	# of Units	Grills on Deck	Electrical	Roof Condition	Mold	Personal Belongings
2022	0	3	1	4	1	1	1	1
2023	2	7	3	6	1	1	1	1
2024	1	3	2	6	1	1	1	1
TOTALS	3	13	6	16	3	3	3	3

What are Exclusions in Master Insurance?

Insurance exclusions are policy provisions that waive coverage for certain types of risks or events. A master insurance policy will typically include some exclusions.

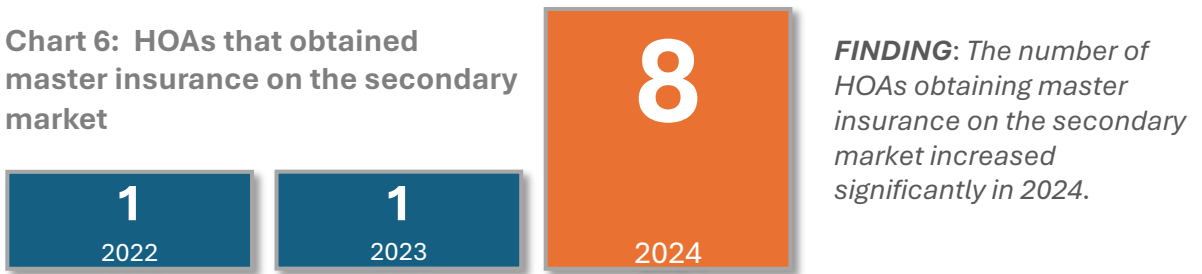
While insurance policies help to mitigate risk, they don't cover everything. That's why it's important for boards to thoroughly understand their HOA's insurance policy and instruct homeowners to purchase additional coverage through HO6 policies.



Section V. INSURANCE IMPACTS

In this section, the number of HOAs that were forced to obtain coverage on the secondary market are detailed, along with negative impacts on HOAs from recent insurance changes.

Chart 6: HOAs that obtained master insurance on the secondary market



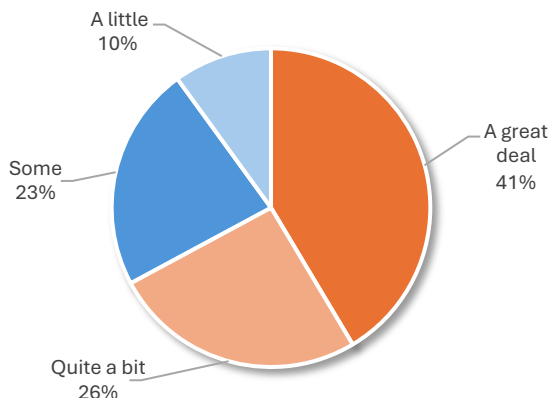
FINDING: The number of HOAs obtaining master insurance on the secondary market increased significantly in 2024.

What is the Secondary Insurance Market?

The secondary insurance market for HOAs is when an HOA secures coverage from multiple carriers, often to make up for a lack of coverage from other carriers. This can happen when HOAs are in a "hard insurance market", which is when insurance carriers increase rates due to losses from natural disasters or other events.

Chart 7: Rated impact on HOAs

FINDING: Over two-thirds of responding HOAs reported that recent changes in HOA master insurance premiums had a significant negative impact on their HOAs.



About the Responding HOAs

- 74% were townhomes and 13% were condominiums
- 53% had all-in type of master insurance and 21% had bare walls
- 60% had fewer than 50 housing units (range 8-374)
- 79% were built after 1990 (range 1965-2019)
- 53% completed a professional reserve study in the last three years
- 80% estimated that more than half of their homeowners were age 65+



HOA INSURANCE SOLUTIONS

Survey respondents provided several important ideas that they believe could positively impact the insurance market for homeowner associations in the coming years. All of the ideas will take a consistent and often coordinated effort to bring about change to reduce the financial burden of rising insurance costs.

Legislative Changes: Advocating for regulations to prevent insurance companies from sharing quotes and information to foster a competitive market.

HOA Advocacy: Creating a platform for HOAs to share advice and experiences, such as a chat room or online forum.

Insurance Market Research: Conducting research to identify potential master policy insurers and develop a list of reputable companies.

Alternative Coverage: Exploring options like self-insurance or partial self-insurance funds to mitigate risks.

Public Awareness: Educating local and state representatives about the challenges faced by HOAs regarding insurance.

KEY DESIRES AMONG HOAs

Fair Treatment

Equitable treatment based on the specific characteristics of their associations.

Affordability

Lower insurance premiums and reasonable deductibles.

Transparency

Greater transparency and competition in the insurance market.

Advocacy

A unified voice to influence regulations and policies related to HOA insurance.



WAYS FOR HOA BOARDS TO GET INVOLVED

HOA board members play a crucial role in advocating for their community's insurance needs. Here are several strategies they can employ to raise awareness and seek solutions:

1. Educate Homeowners:

- **Regular communication:** Send informative newsletters or emails to keep homeowners updated on insurance issues, changes, and potential risks.
- **Community meetings:** Organize meetings or town halls to discuss insurance concerns directly with residents.
- **Educational workshops:** Host workshops or seminars to educate homeowners about insurance basics, coverage options, and the importance of adequate coverage.

2. Advocate for Legislative Changes:

- **Contact lawmakers:** Reach out to local and state representatives to express the HOA's concerns and advocate for policies that support homeowners.
- **Lobbying efforts:** Work with other HOAs and community organizations to form a united front and increase the impact of advocacy efforts.
- **Testify at hearings:** Volunteer to testify at legislative hearings to share firsthand experiences and the challenges faced by HOAs.

3. Engage with Insurance Companies:

- **Negotiate better terms:** Work with insurance providers to negotiate more favorable terms, such as lower premiums or broader coverage.
- **Seek alternative providers:** When possible, research and explore other insurance companies that may offer more competitive rates or better coverage options.
- **File complaints:** If necessary, file complaints with insurance regulators to address concerns about unfair practices or inadequate coverage.

Continued



GET INVOLVED, continued

4. Build Community Support:

- **Encourage homeowner involvement:** Encourage homeowners to participate in HOA activities and become involved in advocacy efforts.
- **Partner with local organizations:** Collaborate with other community groups to raise awareness and amplify the voice of HOAs.
- **Utilize social media:** Use social media platforms to share information, engage with homeowners, and mobilize support.

5. Stay Informed:

- **Attend industry conferences:** Participate in conferences and workshops to stay updated on industry trends, regulations, and best practices.
- **Join industry associations:** Become a member of relevant industry associations to network with other HOAs and professionals.
- **Consult with experts:** Seek advice from insurance professionals, attorneys, or consultants who specialize in HOA insurance.

By taking these actions, HOA board members can play a vital role in addressing insurance concerns, protecting the interests of their community, and advocating for fair and affordable coverage.



**HOA LEADERSHIP
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