



March 20, 2025

**Re: Support HF 2228 (Elkins)**

Dear Members of the Minnesota House Commerce Finance and Policy Committee:

I write today on behalf of Climate Cabinet to express our **SUPPORT** for **HF 2228**, a bill creating a task force to study and issue policy recommendations in response to property insurance market disruptions across Minnesota.

Climate change is driving major disruptions to insurance markets nationally. Earlier this year, the Federal Insurance Office (FIO) and National Association of Insurance Commissioners (NAIC) published findings from a nationwide data collection seeking more information about climate change's impact on insurance markets. The data collection identified a clear trend of diminished availability and affordability of insurance from climate-related perils.<sup>1</sup>

Further research has affirmed troubling insurance market developments. For instance, a survey of multi-family housing unit owners released in March by the Federal Reserve Bank of Minneapolis found that insurance premiums are rising sharply, and that some property owners are increasing rents due in part to higher insurance costs.<sup>2</sup> These developments have major implications for the economy. Federal Reserve Chair Jerome Powell has confirmed that insurance costs are contributing to inflation.<sup>3</sup> In congressional testimony earlier this year, Powell said that "If you fast-forward 10 or 15 years, there are going to be regions of the country where you can't get a mortgage."<sup>4</sup>

Further amplifying these concerns, a February report from the First Street Foundation warned about long-term threats if climate risk is priced into municipal bond markets in a similar manner to insurance markets in recent years.<sup>5</sup> A wide range of experts, including insurance scholars, industry representatives, and financial reform advocates,

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<sup>1</sup> Federal Insurance Office, *Analysis of U.S. Homeowners Markets 2018-22: Climate Related Risks and Other Factors*, [January 2025](#)

<sup>2</sup> Federal Reserve Bank of Minneapolis, *Rising property insurance costs stress multifamily housing*, [March 4, 2025](#)

<sup>3</sup> New York Times, *Insurance Costs are Pushing Up Overall Inflation*, [March 12, 2024](#)

<sup>4</sup> National Public Radio, *Will it become impossible to get a mortgage in high-risk areas in a decade*, [February 18, 2025](#)

<sup>5</sup> First Street Foundation, *Property Prices in Peril*, [February 3, 2025](#)



have stressed that these trends have profoundly worrying implications for the overall safety and soundness of the US financial system.<sup>6 7 8</sup>

Despite the national media coverage that climate-driven insurance market disruptions have generated, the headlines to date have focused mostly on coastal states such as California and Florida. However, substantial evidence exists that insurance market disruptions are just as acute in inland states. The *Wall Street Journal* recently reported that “Climate change has likely made hailstones bigger and brought storms to new places,” causing losses from hail storms in Midwestern states to exceed losses from wildfire and hurricane damages in many instances.<sup>9</sup>

Minnesota is highly vulnerable to these trends. Last February, witnesses testified to the Minnesota House Commerce and Finance Policy Committee that “Minnesota has the second most extreme weather of any state in the nation...” and that “Minnesota experienced more major hail events and tornadoes in 2022 than nearly every other state in the country.”<sup>10</sup> The Climate and Community Institute (CCI) issued a report last year detailing insurance market trends in Minnesota.<sup>11</sup> CCI’s report found several concerning developments, including at least three companies that have announced that they are exiting Minnesota’s market altogether.

Because federal law broadly preempts federal regulation of insurance, protecting the financial system from climate-related insurance risks is a responsibility that falls to state regulators in crucial ways.<sup>12</sup> In 2023, the FIO issued 20 policy recommendations for state policymakers to integrate climate risk into state insurance supervision.<sup>13</sup> We encourage the legislature to further strengthen HF 2228 by requiring the task force to provide information about the Department of Commerce and the NAIC’s progress toward adopting the FIO’s policy recommendations.

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<sup>6</sup> Sasty, Sen, and Tenekedjieva, *When Insurers Exit: Climate Losses, Fragile Insurers, and Mortgage Markets*, [December 2023](#)

<sup>7</sup> US Senate Budget Committee, *Testimony of Eric Anderson*, [March 22, 2023](#)

<sup>8</sup> Public Citizen et al., *Coalition letter to the Financial Stability Oversight Council*, [November 2, 2023](#)

<sup>9</sup> Wall Street Journal, *In America’s Insurance Crisis, Hail Hits Harder Than Hurricanes and Fires*, [March 17, 2025](#)

<sup>10</sup> Minnesota House Commerce and Finance Policy Committee, *Discussion of the property and casualty insurance market*, [February 14, 2024](#)

<sup>11</sup> Climate and Community Institute, *Shared Fates*, [September 2024](#)

<sup>12</sup> Kress, *The Last Sift: The Unwise and Illegal Deregulation of Prudential Financial*, [December 2018](#)

<sup>13</sup> Federal Insurance Office, *Insurance Supervision and Climate-related Risks*, [June 27, 2023](#)



HF 2228's task force is needed to ensure that the shocks of diminished insurance availability and affordability do not continue to damage Minnesota's economy. The task force's composition is balanced to include a bipartisan set of appointees, industry voices, and experts in housing, community development, and climate science.

Importantly, HF 2228 also directs the task force to look at this issue holistically. As California insurance commissioner Ricardo Lara recently noted in explaining his decision to provisionally approve an emergency rate increase request by State Farm, "Climate change, inflation, tariff wars, and a decade of devastating wildfires are upending what's normal."<sup>14</sup>

Lara's statement illustrates why state policymakers examining insurance challenges should be empowered to consider the whole picture of insurance market disruptions. The task force created by HF 2228 allows appointees to consider the many, dynamic factors that are contributing to Minnesota's property insurance crisis. Because the task force initiated by HF 2228 strikes this important balance, we urge legislators to authorize its creation.

Sincerely,

Jordan Haedtler

Insurance Policy Specialist and Climate Financial Strategist, Climate Cabinet

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<sup>14</sup> Lara, *Why I'm Approving State Farm's Emergency Rate Increase— If they Can Justify It*, [March 14, 2025](#)