Many Minnesota homeowners have been surprised this year to see a significant premium increase when they open their homeowner's insurance statement.

While average auto insurance premiums have been trending down over the last few years thanks to safer cars, fewer miles driven and far fewer accidents, homeowners' insurance rates have done the opposite. After decades of being a low cost state for property insurance, we've made a dramatic turn in the wrong direction. Thankfully, there are ways to reverse this trend through simple legislative changes that most other states have already enacted.

In 1997, Minnesota's average homeowner's insurance premium was $345 per year. Today it's $919, a 265% increase! This year, for the first time that we've known, Minnesota's statewide average premium is higher than the national average. There are two major reasons for this.

While rising property repair costs since 1997 are one part of the increase, the other part may not come as a surprise to many weather watchers.

Simply put, since 1998, Minnesota has become a major natural catastrophe state.

In 1998, three major storms struck Minnesota. Insurers paid out more than $1.5-billion in storm losses that year, which was more than was paid in the previous 40 years combined!

Since then, the trend has continued. In 2007 and 2008, Minnesota had the second and third highest catastrophe losses, respectively, in the nation, alongside more predictable states like California, Louisiana and Texas. In 2010, Minnesota saw 144 tornado touchdowns – the most in the nation (we're normally 10th). And in 2011 a tornado struck the most densely populated part of the state: North Minneapolis.

But 1998 also saw dramatic changes in the home repair marketplace. After those destructive storms hit, Minnesota experienced the emergence of 'storm chasers.' These are mostly out-of-state contractors who swoop into an area right after a storm, promising fast repairs. They often make exaggerated claims and offer unscrupulous inducements to homeowners who sign a repair contract (like the 'free roof' offer to pay a homeowner's insurance deductible). These firms often try to do more work than necessary, charge at the highest end of the rate spectrum and are generally not around if something later goes wrong with the repair. Local contractors usually don't engage in these tactics.

Over the last several years, the Insurance Federation of Minnesota, which represents most property insurers operating in Minnesota, has worked hard to pass legislative changes that will crack down on these deceptive and fraudulent practices.

Thanks to these new laws, contractors can no longer offer inducements like the so-called 'free roof' or yard sign allowances. And, consumers can now cancel a contract from a storm chaser within 72 hours for any reason (the old law didn't allow ANY cancellations). These changes benefit legitimate local contractors as well as consumers whose homeowners' insurance rates are increasing because of fraudulent practices that used to be allowed.

While these changes are helpful, our state needs to take more action to protect policyholders from higher than average premium increases and it can be done through a relatively simple legislative change.

Right now Minnesota is the only state in the nation that forbids insurers from raising rates or non-renewing coverage for policyholders that have multiple weather related claims. In every other state, these high-risk policyholders are able to be placed in an insurance mechanism where their much larger than average losses can be absorbed into a larger pool which can better manage the higher risk. In Minnesota, lower-risk policyholders are subsidizing higher-risk policyholders (who have filed multiple weather-related claims) because of our unique laws.

If we can bring this important underwriting tool to Minnesota, we might be able to help prevent this unfair cost shifting.

What happens in a state where a broken homeowner's insurance market isn't fixed? Florida is an excellent example. After years of substantial hurricane losses and a government unwilling to adopt common sense reforms, most insurers were forced to leave. Now, the State of Florida is the source of almost all the state's homeowners' insurance coverage and not surprisingly, politics plays a major role in rate setting. The state has vastly under-reserved for major losses by tens of billions of dollars. And when the next major hurricane hits, Florida might easily plunge into deep financial trouble.

Thankfully, Minnesota's political leaders are more thoughtful than those in Florida. Our insurance situation, while not as dire as Florida's, is more easily fixable. With a strong crackdown on fraud and a fairly simple underwriting change, we can remedy an unfair result and hopefully bring the cost trend more toward its historic average. This would be welcome news for Minnesota consumers.