



Insurance Insights: Best Practices for Navigating Turbulent Markets

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Discussion Outline

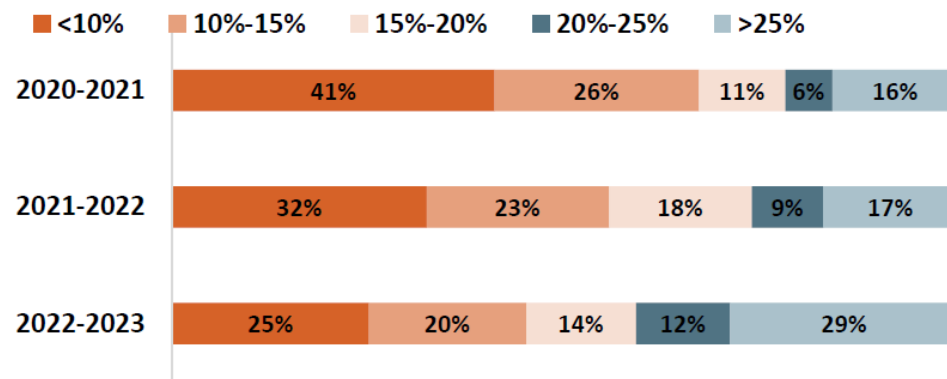
- **Setting the Context**
- **State of the Property Market**
- **Procurement Strategy, Tips & Tricks**
- **Policy Interventions**



Housing Provider Survey Highlights

Premium hikes exceeding 25% are increasingly common in 2023

Premium hikes over time by percent increase



33%
Of policy renewals in 2023 resulted in less coverage than the prior year

67%
Of insurers cited limited markets as reason to increase rates

93%
Of housing providers indicate they plan to take action to manage costs

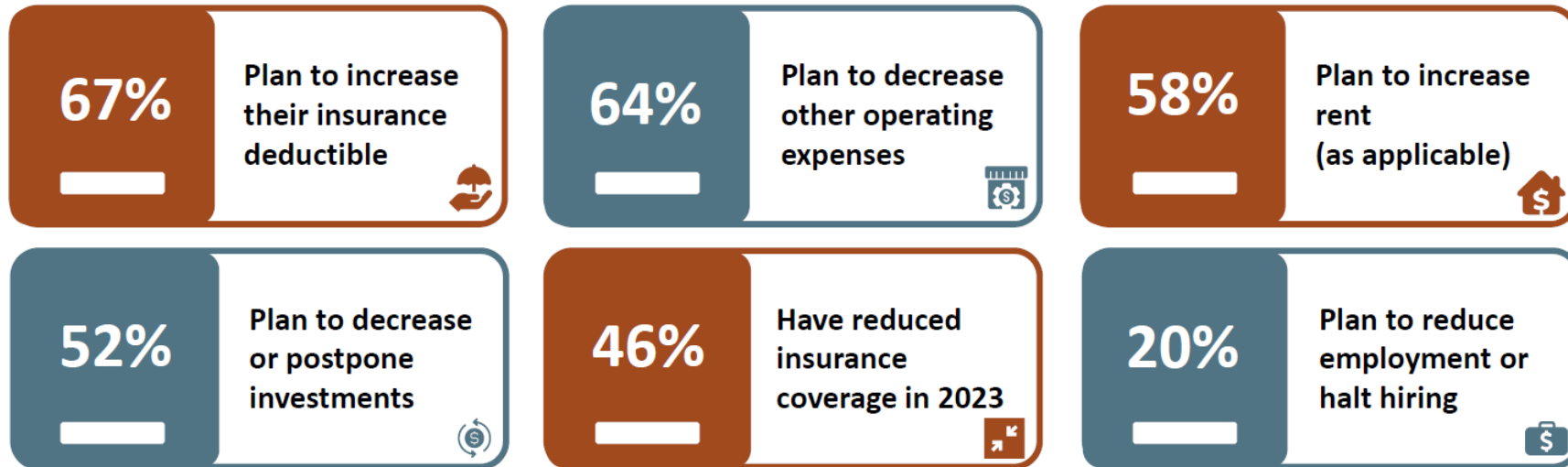
Overview

- Premiums are increasing across all lines of insurance. For 2022-23 renewals, nearly one in every three policies had rate increases of 25% or more
- The magnitude of rate increases is higher than in prior years. For 2020-21 and 2021-22 renewals, 16% and 17% of policies increased by 25% or more, respectively
- Within 2022-23 renewals, commercial property policies had the steepest increase in rates compared to the prior year

Data and analysis courtesy of Nam D. Pham and Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," National Leased Housing Association and NDP Analytics, October 2023.

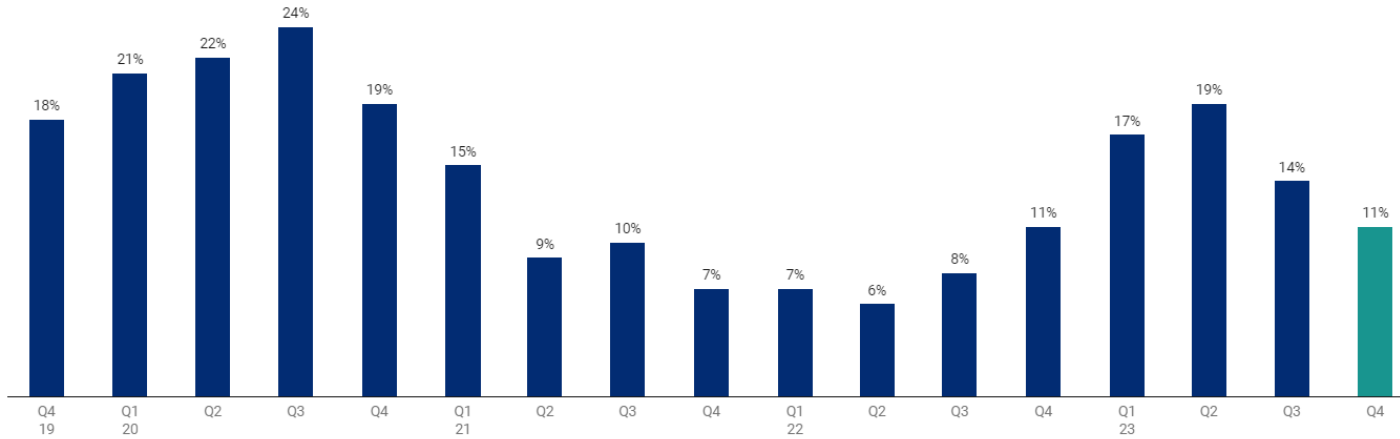
Housing Provider Survey Highlights

93% of housing providers plan to take action to manage increased costs



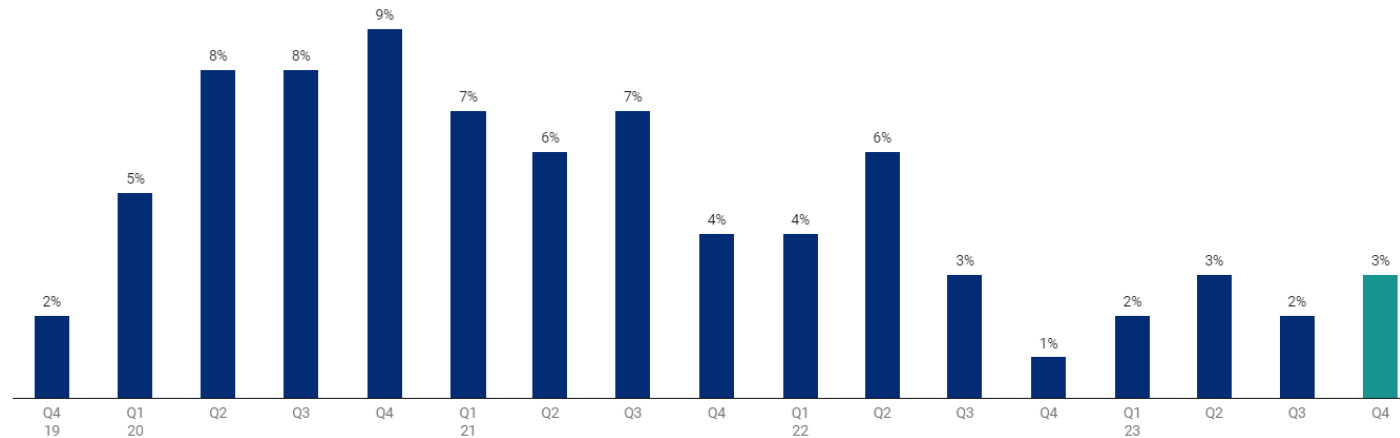
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US property



Source: Marsh Specialty and Global Placement • Download SVG • Created with Datawrapper

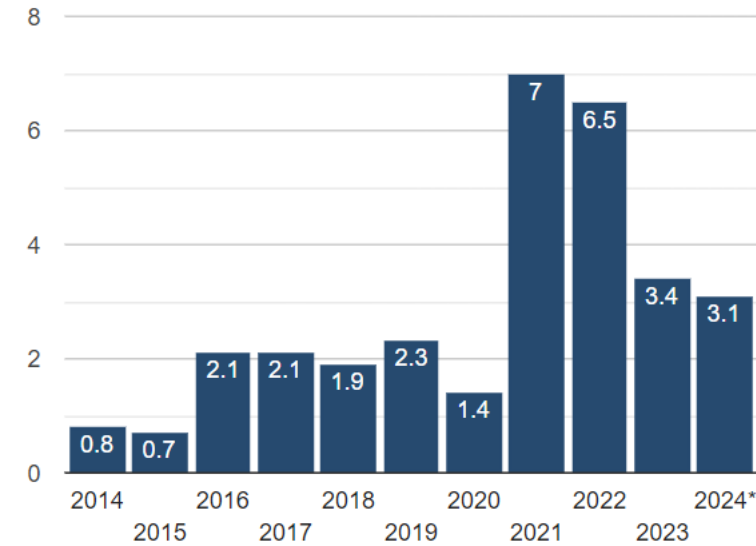
US casualty



Source: Marsh Specialty and Global Placement • Download SVG • Created with Datawrapper

Year	OCAF (national average)	AAF (national regions average, highest cost utility excluded)
2024	5.3%	TBD (update in March)
2023	6.1%	3.59%
2022	3.1%	3.33%
2021	2.5%	2.7%
2020	2.2%	2.2%

Chart: United States Annual Inflation Rates (2014 to 2024)

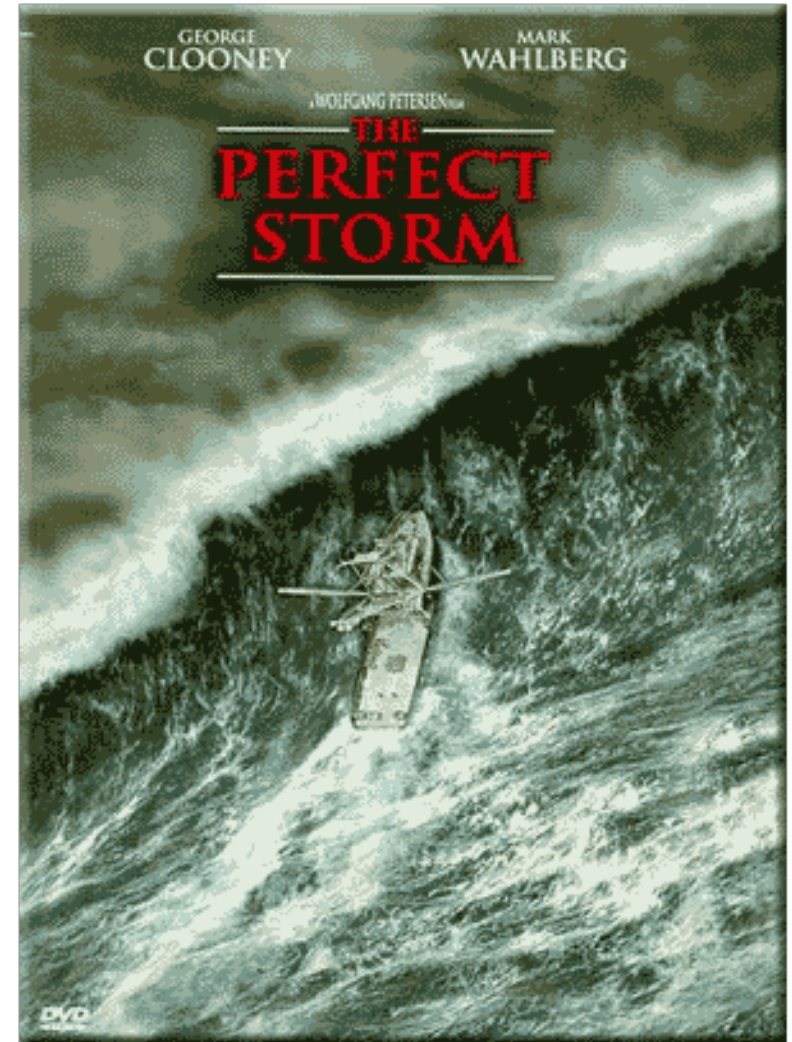


*The latest inflation data (12-month based)

Source: <https://www.usinflationcalculator.com/>

Perfect Storm of Circumstances

- Increase in Extreme Weather Events
 - Rising Claims Amounts
 - Increased Frequency
- Construction Costs + Supply Chain → Increase in Total Insurable Values (TIVs)
- Inflation + Interest Rates
- Declining Insurance Company Investments/Profitability
- Less Competition in the Marketplace
 - Insurance Company Failures
 - Global Overconcentration of Claims and Insurable Risk in US
 - Limited Capital to Allocate
- Crime Scores, Redlining & Discrimination
- Litigation Funding Industry + Judicial Hell Holes + AI Plaintiff Attorney Tools → Large Settlements, Jury Awards & Attorney Fees



Cover of DVD, *The Perfect Storm*

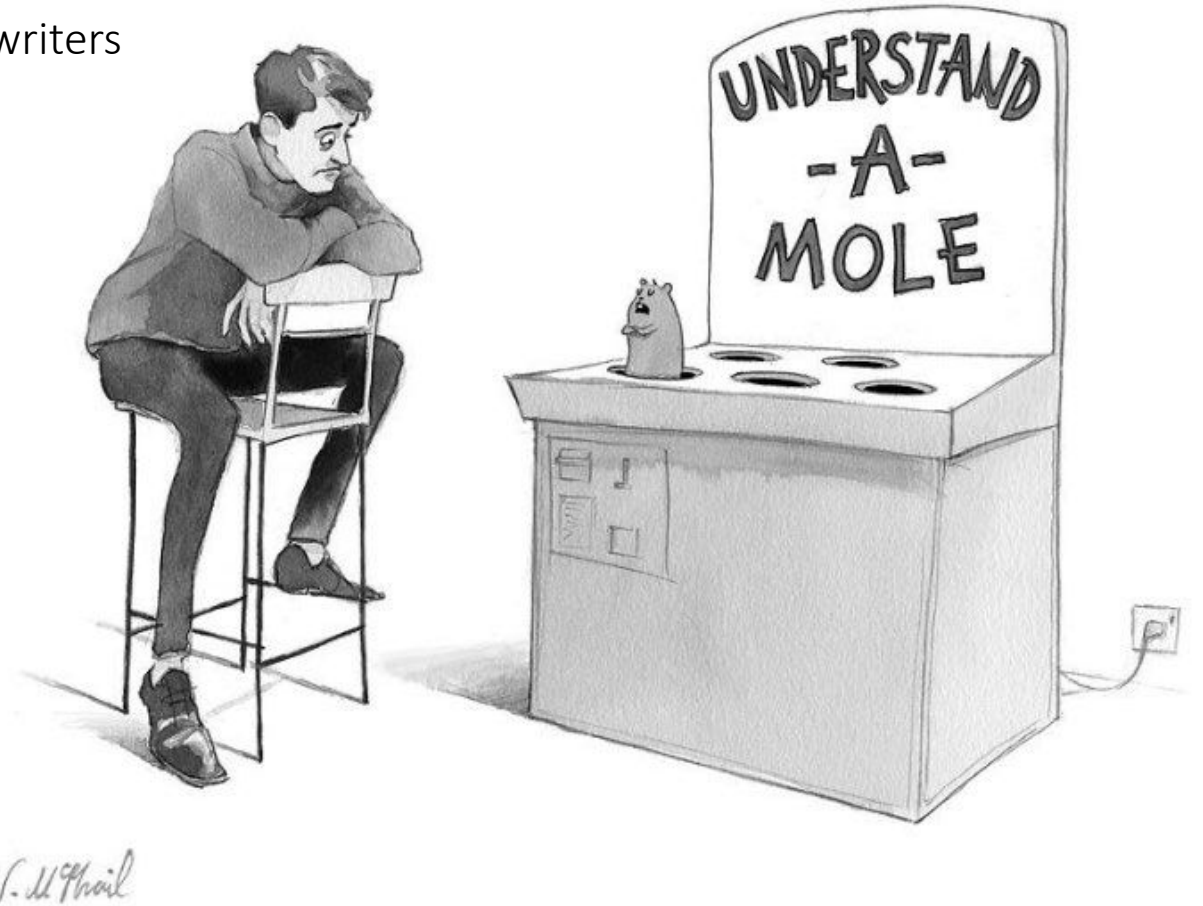
Hard Insurance Market → Hard Truths *and* Consequences

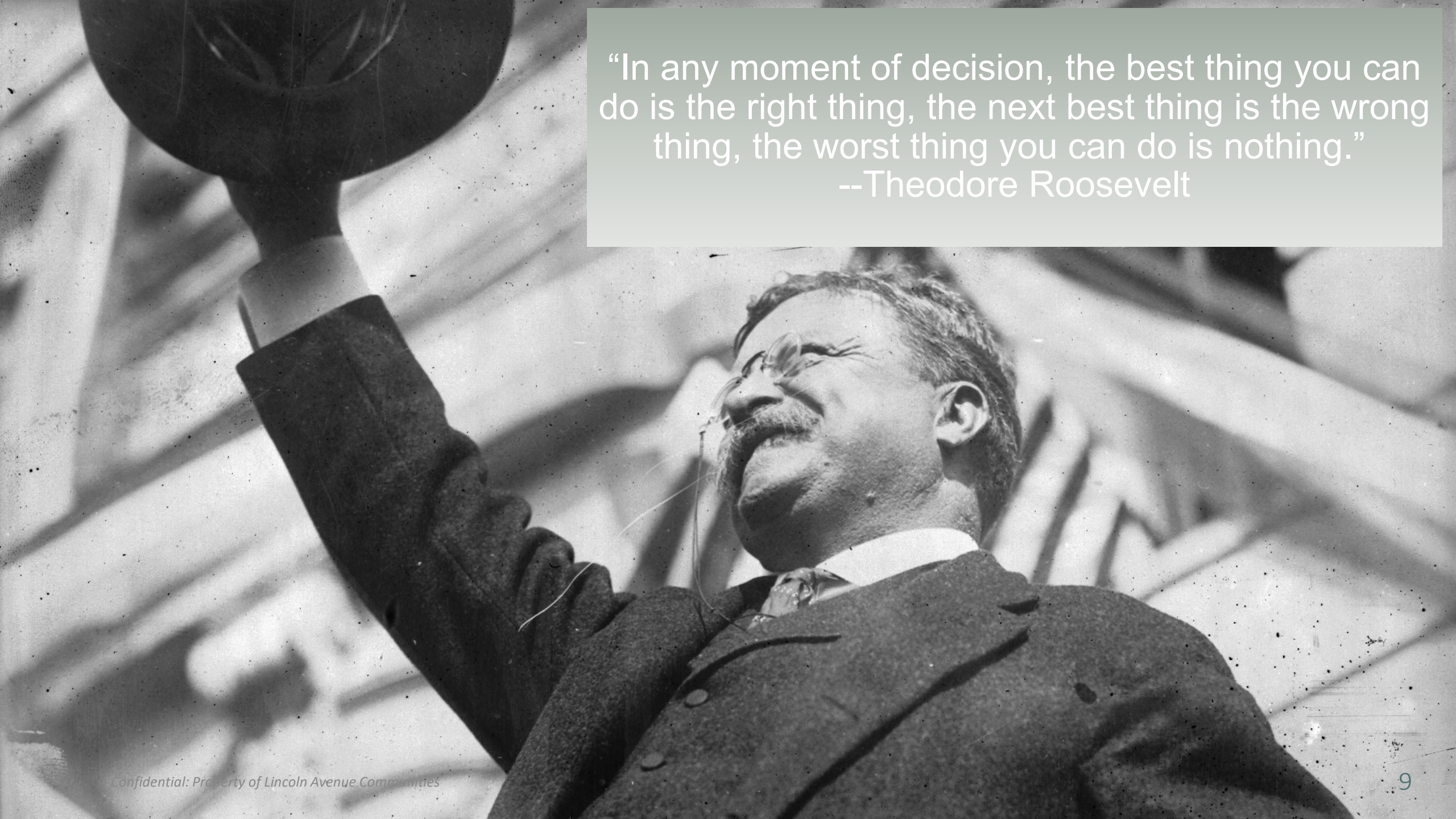
- Reduces Affordability in Subsidized and Conventional Markets
- Capital Transactions & Development
 - Reduces Leverage
 - Increases Costs
 - Delays Closings
- Existing Portfolio
 - Declining Revenue
 - Deferred Maintenance
 - Reduced Services
 - Potential for Technical Defaults
 - Opt-Outs



Procurement Strategy, Tips & Tricks

- Getting to Know Your Wholesalers, Carriers and Underwriters
- Modeling Risk
- Matchmaking vs. Group Programs
- Captive & Risk Retention Programs
- Parametric Insurance
- Loss Mitigation & Claims Management Best Practices

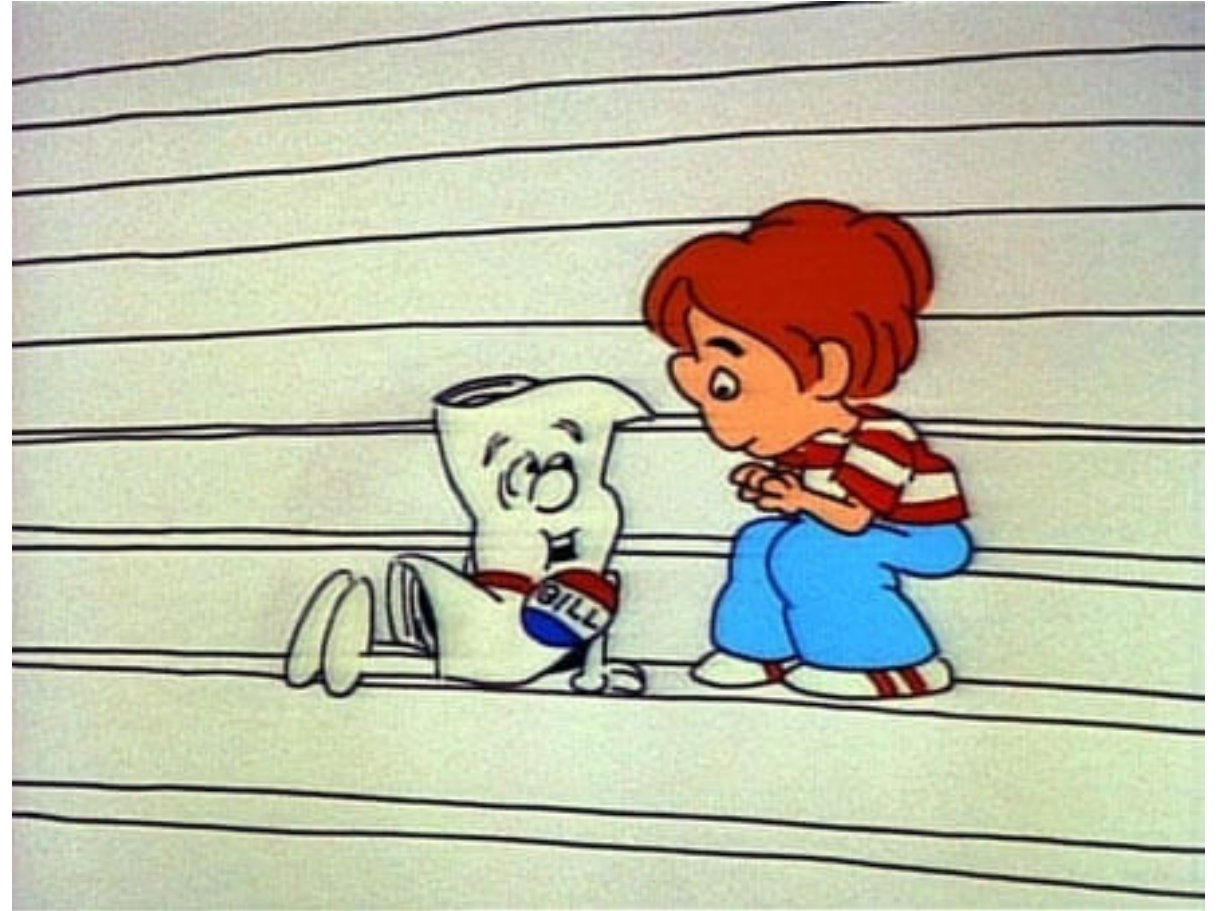




“In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, the worst thing you can do is nothing.”
--Theodore Roosevelt

Potential Legislative Solutions

- Federal Back Stop Models & Precedents
 - TRIA
 - NFIP
 - Wrap from GSE / FHA / USDA Guarantor
 - Crop Insurance Model
 - Fair Access to Insurance Requirements (FAIR) Plans
 - Catastrophic Loss Draw Down Facility
 - Global Examples: Germany, France, Italy, Spain
 - Treasury Dept Recently Called for Federal Backstop for Cyber Insurance
 - Federally-Backed Reinsurance
- Tort Reform / Premises Liability Reform
- Incentivize the Creation of a Domestic Reinsurance Marketplace
- Other Tax Incentives / Price Supports / Budget-Based Rent Increases
- Direct Subsidies / Appropriations



Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act

- HR 6944 (Introduced 1/10/2024)
- Sponsor: Rep. Adam Schiff (D-CA-30) + 12 Co-Sponsors
- Key Features:
 - Establishing a Federal Catastrophe Reinsurance Program within the Department of the Treasury to cap insurers' liability in the case of a catastrophic event above a threshold developed by the Secretary and an advisory committee of experts.
 - Requiring participating insurers to cover all natural disasters, including wildfires, severe storms, wind, hurricanes, floods, and earthquakes.
 - Directing significant investments from insurers in loss prevention and risk mitigation partnerships with policyholders.
 - Improving market monitoring through the Office of Financial Research and the Federal Insurance Office in collaboration with state insurance regulators.



Bridging to a Structural Solution: Potential Administrative Actions

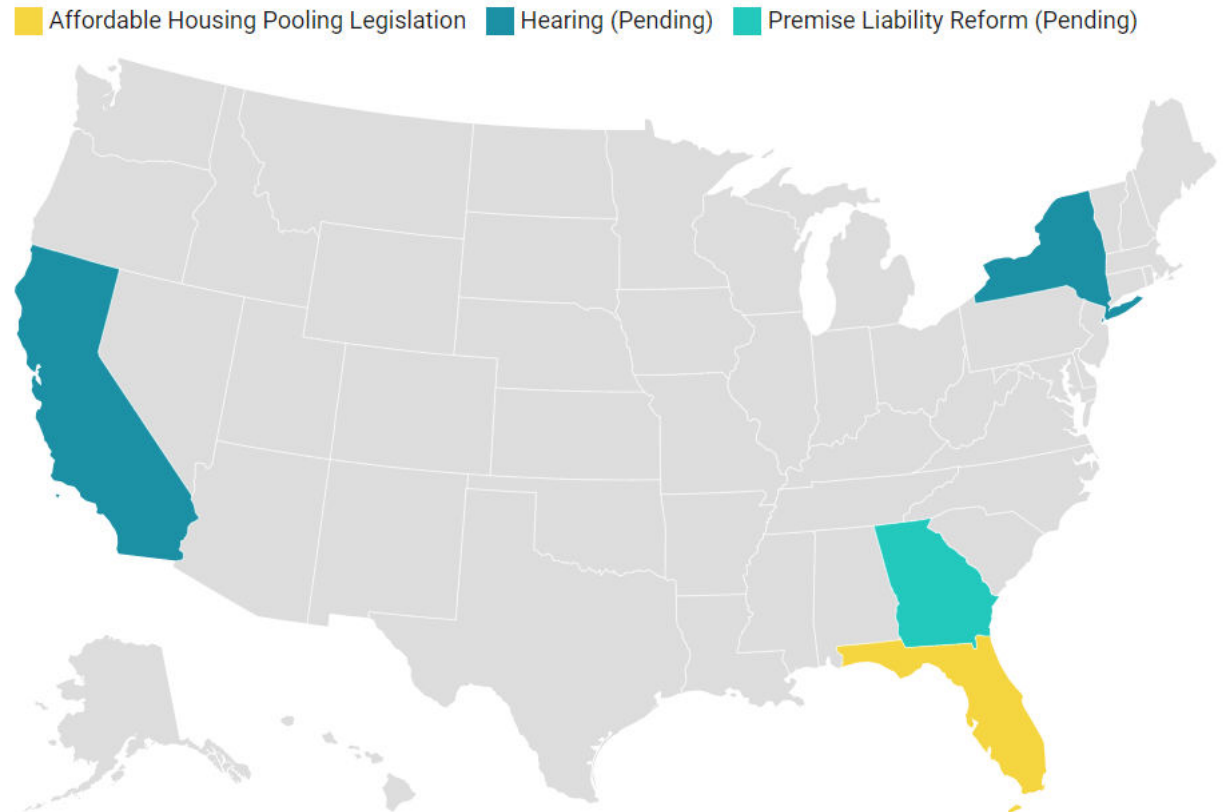
- HUD PD&R
 - Revise Income Limits Caps (*Ed. Note Forward Progress*)
 - True Up OCAFs
- Update/Revisit Agency Lender Insurance Requirements
 - Deductibles
 - Captives
 - Valuation Methodologies / Modeling
- LIHTC Basis Issues/Opportunities – HFAs
- FHFA
 - Leveraging GSE Balance Sheet or Guarantee as Backstop
 - Duty To Serve
 - Affordable Housing Goals
 - FHLB / AHP
 - Product Innovation
- Reprioritize Existing Federal Grants & Resources
 - ARPA/SLFRF
 - CDBG
 - FEMA Flood Risk Mitigation Grants
- Fair Housing
- Data Aggregation



State & Local Work Streams

- Tort Reform / Premises Liability Reform
- Community-Based Catastrophe Insurance (CBCI)
- Source of Income Discrimination Legislation
- FAIR Plan Expansions
- State Insurance Commissioner Outreach Regarding Rate Increase in Covered Markets
- QAP Opportunities & Issues

State Affordable Housing Insurance Legislative Initiatives



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Questions

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