



# Affordable Housing: Insurance Rates and Coverage

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LEADINGAGE

# Trends

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- Overall trend toward “uninsurability”
- Major challenge for HUD portfolio preservation

# LeadingAge Members

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## *Quarterly Survey Take-Aways:*

- Most respondents report an insurance cost increase of between 10-30%, some report higher than 30%
- 95% of survey respondents are concerned about insurance cost increases and coverage losses, including 53% saying they are “very concerned”

# Issues

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- Rate and deductible increases
- Less coverage
- Difficult to renew policies despite minimal claims history
- Housing providers getting “dropped” without a chance to show loss control measures
- Certain types of properties more difficult to insure (high rise)
- Major geographic differences
- Role of disasters

# Issues

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- Difficulty securing various bids
- Difficulty absorbing deductibles
- Poor use of HUD funds
- For properties under an OCAF, limited ability for HUD to financially respond
- Pushback from HUD on renewing budgets with higher insurance rates
- Undervaluing properties to bring costs down
- Role of HUD requirements (insurance minimums, emergency call systems, etc.)

# Factors

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- Limited number of carriers for this “specialty” program
- Lack of understanding about this setting (not a healthcare setting but a real estate setting)
- Limited market competition/capacity
- State rules/regulations
- Disaster-prone areas and changing definitions of “disaster areas”
- Overall profitability issues in insurance industry

# Operational Strategies

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- Focus on partnerships with brokers/carriers that understand affordable senior housing
- Identify additional policies that can reduce loss/costs, like a deductible buy-down or property-provided, optional renter's insurance policies
- Advocate for real estate coverage, not healthcare coverage; solicit State Department of Health/Aging assistance in assuring broker/carrier that property is not Assisted Living
- Document and communicate loss control measures at the property, like emergency call systems that go directly to a third party for response (liability is not with the property); fall prevention techniques and rules; early damage detection tools (like water sensors at each floor or advance fire safety devices), and more
- Explore risk-sharing techniques, like All Lines Aggregate and Bundled or Blanket Policies

# Policy Strategies

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- Nationwide/Statewide steps to educate the insurance industry on affordable senior housing
- Role of federal government in offering an insurance product for affordable housing
- Clarity in HUD rules (in 4350.1) on separate entities engaged under one “blanket policy” to allow smaller organizations to risk-share with others
- Clarity in new HUD physical inspection standards to allow for emergency call systems that are wireless/go to third party (implementing HUD October 2014 Memo in NSPIRE standards due to be revised in CY2022)
- Ability for OCAF properties to access special adjustment to navigate insurance rates
- Advocacy on HUD Budget-Based Rent Increase approval process to minimize agency pushback