



September 14, 2023

The Honorable Sherrod Brown
Chair
Senate Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, DC 20510

Dear Chair Brown:

Thank you for accepting a letter for the record of the September 7, 2023, hearing, “Perspectives on Challenges in the Property Insurance Market and the Impact on Consumers.” In addition to our comments below, LeadingAge would like to associate ourselves and support the hearing testimony of Michelle Norris, executive vice president of external affairs and strategic initiatives, National Church Residences, a LeadingAge member.

About LeadingAge

We represent more than 5,000 nonprofit aging services providers and other mission-minded organizations that touch millions of lives every day. Alongside our members and 38 state partners, we use applied research, advocacy, education, and community-building to make America a better place to grow old. Our membership encompasses the entire continuum of aging services, including skilled nursing, assisted living, memory care, affordable housing, retirement communities, adult day programs, community-based services, hospice, home-based care. We bring together the most inventive minds in the field to lead and innovate solutions that support older adults wherever they call home.

LeadingAge’s membership includes more than 2,000 mission-driven owners of affordable senior housing, many using programs of the U.S. Department of Housing and Urban Development, like the Section 202 Supportive Housing for the Elderly and Section 8 Project-Based Rental Assistance programs and the U.S. Treasury’s Low Income Housing Tax Credit program to provide affordable housing to older adults.

Aging in Community

Nationally, HUD-assisted senior housing households have average annual incomes of \$15,052. Sixteen percent of residents are 85 years old or older. About half of HUD-assisted senior communities have a service coordinator who connect residents to services and supports available in the surrounding community so residents may age in independent housing for as long as possible.

Rising Insurance Costs in Affordable Senior Housing

HUD’s portfolio of programs serves more than two million older adult households, more than 800,000 of whom live in Section 202 and Section 8 PBRA project-based housing, where most private owners are facing exorbitant and untenable insurance cost increases.

In an April 2023 LeadingAge member survey, 43% of our affordable housing provider members said that property insurance rates and related costs increased by at least 10% in the last year, or were expecting that increase in the next three months:

- 13% reported a property insurance rate increase of 20 – 29%;
- 28% reported an increase of 10 – 19%;
- 2% reported an increase of more than 30%.

Again, this is one year-over-year snapshot of insurance rates that reset annually. Our members also shared that despite the increase in insurance rates, the coverage was reduced in many cases, and minimum deductibles were increased. In some cases, providers were forced to purchase an additional insurance policy for their minimum deductible (a “deductible buy-down” policy) because the deductible was raised out of range of the property’s cash flow.

Reasons for Increases

In most cases, LeadingAge’s affordable senior housing provider members report that there are no claims history at the properties where insurance rates increased. According to the LeadingAge member survey from April 2021, even in the case of drastic increases, no claims history was cited by the insurance carrier or broker as the reason for the increase. Instead, the insurance industry cited market trends as the most common reason for the increases.

In addition to market trends that have allowed “runaway” insurance rates, affordable senior housing providers have had to contend with incorrect assumptions about the independent housing being provided. For example, insurers mistakenly conclude that in independent living communities where most residents are, by design, older adults, there must be a medical or healthcare aspect to the core nature or function of the building and/or its staff.

In reality, the vast majority of HUD-assisted multifamily housing communities serving older adults have no medical staff on site and offer only referrals to services in the community that residents can access. And while certain HUD senior housing providers must have an emergency notification system in place for resident use, these are mostly maintained and monitored by third-party providers who have their own insurance for their own products.

The incorrect assumption that senior housing is a healthcare or medical setting brings even higher insurance costs, fewer insurance vendors, and higher deductibles to already strapped providers. There are a limited number of insurance carriers for what is often called a “specialty” program because there is an overall lack of understanding about the affordable senior housing setting (it is not a healthcare setting but a real estate setting). The limited number of insurance carriers results in limited market competition and capacity, which in turn has resulted in not just rate and deductible increases, but less coverage, difficulty renewing policies despite minimal claims history, and housing providers getting “dropped” without a chance to demonstrate loss control measures.

Impact on Affordable Senior Housing Communities

HUD requires, with good reason, assisted housing communities to have insurance coverage and deductibles at certain levels. LeadingAge supports insurance requirements as necessary for due diligence and fiscal responsibility.

With insurance requirements in place from HUD but fewer and more expensive insurance products available for providers, the issue of insurance coverage presents an affordable housing preservation issue for housing providers across the country. In some cases, HUD can offer “band aid” fixes by allowing a waiver to the minimum deductible requirement so that a provider can remain financially solvent; in

other cases, HUD can approve a budget increase to allow a housing provider to cover the insurance rates. In both cases, providers are left with real concern for the financial viability of their properties.

Relying on HUD funding approvals and waivers is a temporary and imperfect approach that falls short of guaranteeing the preservation of affordable housing in the long-term. In addition, instead of housing more older adults, these approaches rely on HUD's limited rental assistance funds to subsidize the insurance industry's increased rates and profits.

Seeking Solutions

LeadingAge and our affordable senior housing provider members hope to educate and develop partnerships with brokers and carriers that understand affordable senior housing; solicit State Department of Health/Aging assistance in assuring broker/carrier that property is not any type of state regulated health provider; 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; and, early damage detection tools (like water sensors at each floor or advance fire safety devices).

We also think there is a role for the federal government to offer an insurance product for affordable housing. Additionally, clarity in HUD rules (in 4350.1) on separate entities engaged under one "blanket policy" to allow smaller organizations to risk-share with others could be helpful, as would real-time HUD subsidy adjustments for Operating Cost Adjustment Factors and approvals Budget-Based Rent Increases. HUD has made steps to improve these processes, but the increases are coming to providers faster than HUD can adjust.

The solution is not how to pay for runaway insurance increases. The long-term, responsible solution is to reign in and normalize the cost of insurance for affordable housing with policies that protect current and future residents, the federal investment, and owners. Until then, HUD funding that does cover exorbitant insurance costs takes away, dollar for dollar, funds that should be spent to address the severe shortage of affordable housing in this country.

Please reach out to Linda Couch, lcouch@leadingage.org, with any questions.

Thank you for considering our comments.

Sincerely,

Linda Couch
VP, Housing and Aging Services Policy