



August 5, 2024

The Honorable Adrienne Todman  
Acting Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Acting Secretary Todman,

Thank you for hosting the recent HUD 2024 Insurance Summit. It was an honor to participate on behalf of LeadingAge's nationwide membership of affordable senior housing providers, and we would like to offer a big shout-out to the HUD team that organized the successful event.

As you know, homelessness among older adults is the fastest growing type of homelessness in our country, and we value HUD's dedication to addressing the current property and liability insurance crisis as a major barrier to expanding and preserving the supply of affordable senior housing.

#### **About LeadingAge**

LeadingAge represents more than 5,400 nonprofit aging services providers and other mission-driven organizations serving older adults. Alongside our members and 36 partners in 41 states, we use advocacy, education, applied research, and community-building to make America a better place to grow old. Our membership encompasses the entire continuum of aging services, including affordable housing, skilled nursing, assisted living, memory care, retirement communities, adult day programs, community-based services, hospice, and 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.

#### **Access to Insurance as a Housing Preservation Issue**

Access to property and liability insurance coverage is fundamental to developing, owning, and managing affordable senior housing. HUD requires certain coverage levels for good reason; in the face of changing weather patterns and increased weather events, the preservation of the affordable housing stock hinges on having adequate and appropriate loss coverage – as well as investing in resilience for the future through programs like the Green and Resilient Retrofit Program.

Further, housing providers can barely keep up with current cost increases in the areas of premiums and deductibles. During a snap poll conducted of a sampling of LeadingAge housing provider members in July 2024, the majority of LeadingAge members we polled reported that their insurance premiums are increasing at a "concerning level" (often to the tune of double- or even triple-digit percentage increases).

To absorb insurance-related cost increases, more than a third of those members report having to cut costs elsewhere, including cutting capital projects, property repairs, resident wellness programming, and resident services. We know that HUD is as alarmed about these consequences as we are.

### **Unique Attributes of Affordable Senior Housing**

Absorbing costs is just one part of the insurance puzzle. Multifamily housing providers need affordable coverage that is tailored to the unique attributes of affordable housing for older adults who are aging independently. Currently, insurance carriers and brokers often miscategorize federally-assisted independent senior housing as assisted living or other higher liability, higher cost "health" settings. This is in part due to the misinterpretation of non-medical, resident-centered property characteristics, like Resident Service Coordinators, emergency notification systems, mobility adaptations, and other resident services that support independent aging.

LeadingAge has specifically observed a growing tension between liability insurance and resident services. In cases where carriers misclassify senior housing as a health setting vs. a real estate setting, insurance costs are higher and coverage is more complex and less widely available, driving up insurance coverage costs and putting housing communities in an impossible position. Overall, this dynamic could lead to some properties having to limit or entirely remove resident services and aging adaptations at senior housing properties, not necessarily to recoup costs, but to improve "insurability."

Cost pressures and "insurability" incentives to reduce resident services directly contradict the mission of HUD and of senior housing providers who offer service-enhanced housing so that older adults can age independently longer. We urge HUD to remain committed to housing preservation solutions that address both the need for supportive services and for adequate and affordable insurance coverage.

### **Solutions: Bridging Congressional Authorization with Implementation from HUD**

In the face of the current insurance crisis, we need the federal government's help to do two things:

- Address rising insurance costs through property budget increases so that housing providers can keep the lights on and continue providing service-enriched housing for older adults.
- Address the underlying reasons for those rising insurance costs so that we can rein in costs and use more of those funds for housing instead of for insurance.

The solutions we envision include:

- Action from both HUD and Congress to address current housing operations budgets so that affordable communities can continue operating.
- Action from HUD and other federal entities (including the Federal Insurance Office) to address the lack of market competition by establishing an insurance product for underserved housing communities and rewarding appropriate risk reduction behaviors.
- A federal effort to improve transparency in the insurance market through data disclosure and collection, as well as protections against discriminatory coverage denials.

We urge HUD to work together with Congress and other federal agencies, as well as with state insurance commissioners, to achieve the following approaches to the property and liability insurance crisis:

***Increase Housing Operations Budgets to Absorb Insurance Costs:*** Affordable housing providers can barely keep up with double- and triple-digit percentage increases for premiums and deductibles. Because of the cost pressures, many housing providers are resorting to deductible buy-down policies or foregoing certain coverages – two approaches that could put the fiscal integrity of the housing stock at risk. Instead of leaving housing providers to reduce coverage or take on unmanageable deductibles, we

urge HUD to make special annual adjustment factors available for temporary increases to the current budget formulas.

Many properties in HUD's rental assistance portfolio are tied to so-called Operating Cost Adjustment Factors (OCAFs) for annual, market-driven budget increases. While HUD recently updated their OCAF methodology to better reflect the cost of insurance, the annual formula prioritizes stability over reactivity: The OCAF formula is devised to reflect cost trends over time, in part by averaging previous actual costs over a three-year period to calculate weights for projected costs for the coming years. This means that the formula will not come close to capturing a sudden, sharp increase in costs – exactly the type of scenario our members have seen in the insurance market.

In these scenarios, we need HUD to make a special adjustment available for property operations budgets. HUD should work with Congress to establish special annual adjustment factors for insurance coverage costs that providers can access when necessary. HUD should also consider financial incentives for taking proven risk-mitigation approaches at the property-level.

Supporting increases is important for OCAF-driven budgets, as well as for budget-based properties who submit their increase requests directly to HUD each year for approval based on projected costs. Helping providers absorb costs will keep housing communities from reducing critical insurance coverage or accepting fiscally-irresponsible deductible levels; it will also prevent housing communities from cutting other necessary costs at the property that worsen the condition of the asset and result in an vicious insurance cycle. Most importantly, fully supporting affordable housing communities will preserve the affordable housing stock and prevent those housing communities from exiting the affordable housing market all-together.

***Promoting Market Competition and Incentives for Risk-Reduction:*** Currently, there are only limited carriers offering coverage for affordable housing properties, let alone for affordable senior housing properties. The lack of competition has led to a loss of downward pressure on the market, and many LeadingAge housing provider members report runaway cost increases despite having no history of claims or other increase in risk at their properties. LeadingAge encourages a solution that addresses the market competition, for example by authorizing HUD to establish a property and liability insurance product similar to the agency's mortgage insurance products. In this sense, there is strong precedent for HUD and its federal partners to take on risk and to offer housing finance products in support of affordable housing access for underserved communities.

This type of insurance product (or products) could be targeted to parts of the market that are truly underserved, acting as a stabilizing force. The product could also be used to offer incentives for certain types of actions at the property: a discount when a housing provider takes property-level risk mitigation steps that are known to improve the prospects of an asset or to benefit the wellbeing of residents during a disaster event, for example, or a retrofit that will help bring down energy costs or make the asset less vulnerable to incremental, climate-related decline over time. We have seen similar successes with the Green Mortgage Insurance Premiums (Green MIP) at HUD, and we urge federal policymakers to think long-term about affordable housing resilience.

***Addressing Discrimination and Lack of Transparency in Insurance Coverage:*** There is an immense need for transparency in the property and liability insurance markets, and HUD has a strong role to play. Currently, HUD has little to no data that shows the types of coverage and associated costs that affordable housing communities adopt, as well as reasons for coverage denials. The lack of transparency

makes it difficult to assess fairness and competition, as well as differences between actual and perceived risk.

The lack of transparency also makes it difficult for our policy makers to assess situations of potential discrimination. LeadingAge supports federal approaches to source of income protections and other state level efforts in the insurance market designed to protect insurance availability for properties participating in federal housing assistance programs.

Because of the overrepresentation of racial minority groups receiving federal housing assistance, coverage denials and similar coverage decisions based on the “neighborhood” and local “crime scores,” could be proxies for discrimination on the basis of race, a class protected by the Fair Housing Act. In the case of senior housing, LeadingAge has observed coverage denials due to the presence of older adults at a property, or because of the presence of mobility-related supports, like grab bars and pull cords, or even because of non-medical services, like a Resident Service Coordinator or wellness programming to support resident outcomes.

We need protections in place that prevent insurance carriers from denying insurance coverage on the basis of residents’ race, source of income, age, and disability – but we won’t be able to capture this kind of information on trends and behaviors across the country without better data collection, as well as guardrails around insurance carriers utilizing certain types of data to set insurance rates. As a country, we have seen similar value in increasing transparency in the home mortgage market through the Home Mortgage Disclosure Act (HMDA); we urge HUD to work together with Congress to implement data disclosure and collection requirements.

Thank you for your consideration of these suggestions. We value our continued partnership with you to address the critical need for property and liability insurance solutions as a means to expanding and preserving affordable housing for older adults.

Please direct any questions to [jbilowich@leadingage.org](mailto:jbilowich@leadingage.org), LeadingAge’s Director of Housing Operations and Policy.

Sincerely,

A handwritten signature in cursive script that reads "Juliana Bilowich".

Juliana Bilowich  
LeadingAge