

Expenses

Insurance Costs Rise for Industry

Nearly 1 in every 3 policies saw recent rate increases of 25% or more

BY DONNA KIMURA

Over 93% of housing providers said they are taking action to mitigate increased insurance costs, according to a new report by the National Leased Housing Association (NLHA).

The three most common steps are increasing insurance deductibles, decreasing operating expenses, and increasing rent.

Conducted by ndp | analytics in August and September, the survey drew 418 responses from housing providers across the country who operate 2.7 million units, including 1.7 million affordable units.

Affordable housing providers are experiencing higher premiums across multiple lines of insurance. For 2022-23 policy renewals, nearly 1 in every 3 policies had rate increases of 25% or more (21% of policies increased by over 30%, and 9% increased between 25% and 30%), according to the report.

“The impact of rising insurance premiums, coupled with the ability to obtain necessary coverage, has already begun to impact affordable housing development and preservation efforts,” said Denise B. Muha, NLHA executive director. “Further, existing property owners are faced with difficult choices as they struggle with operating deficits related to mounting insurance costs. These cost increases are not sustainable.”

The providers are accepting less coverage as premiums increase. For the 2020-21 policy year, more than 86% of commercial property, premium general liability, and excess/umbrella liability policies were renewed with the same or similar levels

of coverage, and only 9% had decreased coverage from the prior year. Two years later for 2022-23 renewals, only 57% of policies continued with the same or similar levels of coverage, and nearly 33% had less coverage compared with the prior year, reports the study.

Limited markets and capacity were cited as the top reasons for most premium increases followed by claims history and renter population.

“Affordable housing developers, owners, and operators are experiencing unprecedented challenges in financing and operating affordable rental housing due to skyrocketing insurance costs,” said Emily Cadik, CEO of the Affordable Housing Tax Credit Coalition. “If not

addressed soon, insurance premium inflation will cause irreparable harm to existing affordable housing communities and prevent the ability of developers to finance desperately needed new affordable housing supply.”

While insurance costs and availability are negatively impacting all housing providers, the latest findings demonstrate how the problem is especially acute for affordable housing providers, noted Sharon Wilson Géno, president of the National Multifamily Housing Council.

“Many affordable firms are limited in the cost mitigation steps they can take and already face smaller operating margins—creating even deeper affordability challenges,” she said. **AHF**

