

WEATHERING THE STORM

Managing property insurance costs in
multifamily affordable housing

What strategies can multifamily affordable housing organizations use to manage volatile property insurance rates?



AGENDA

01. Context

02. Literature

03. Methods

04. Key Insights

05. Conclusion

CONTEXT

INSURANCE FOCUS

Property

Builder's Risk

Casualty

TYPES OF MARKETS



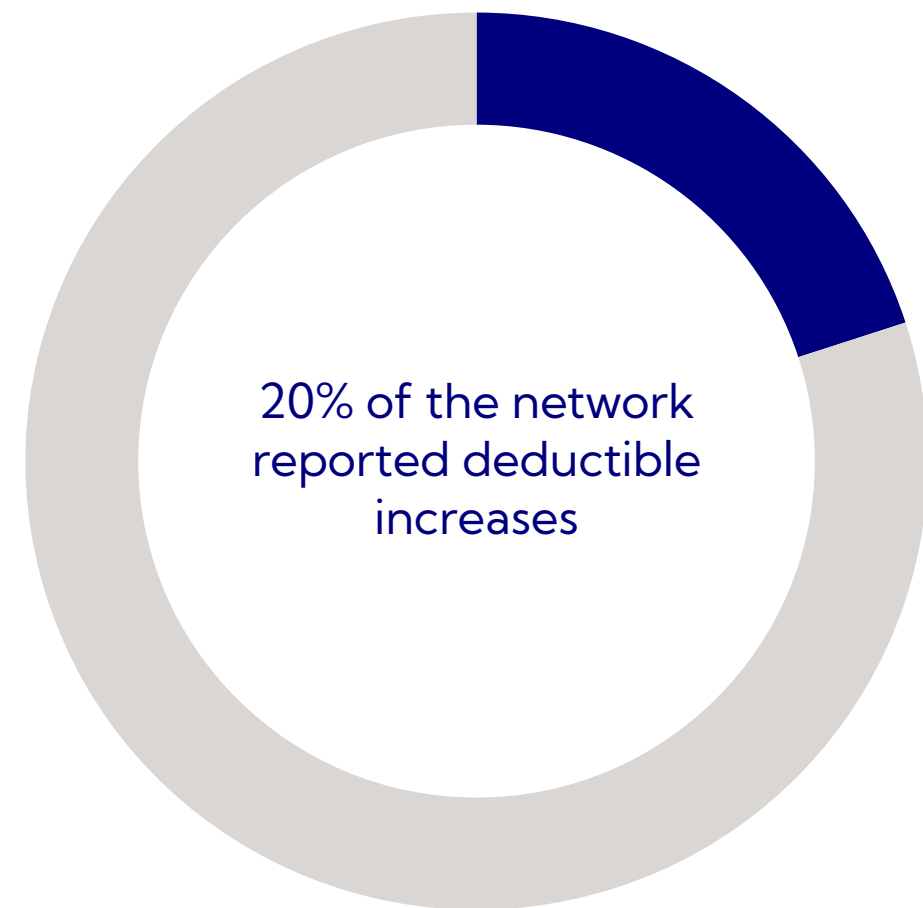
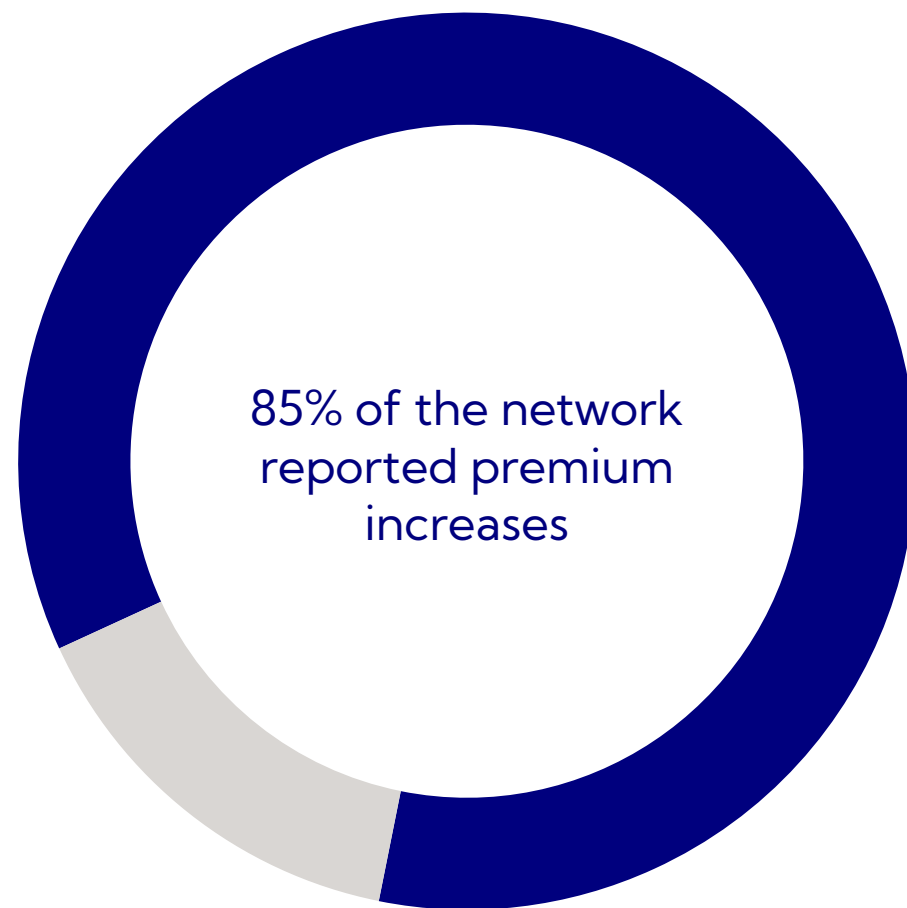
THE PROPERTY INSURANCE MARKET IS SOFTENING

US commercial property insurance rates (by percentage change)



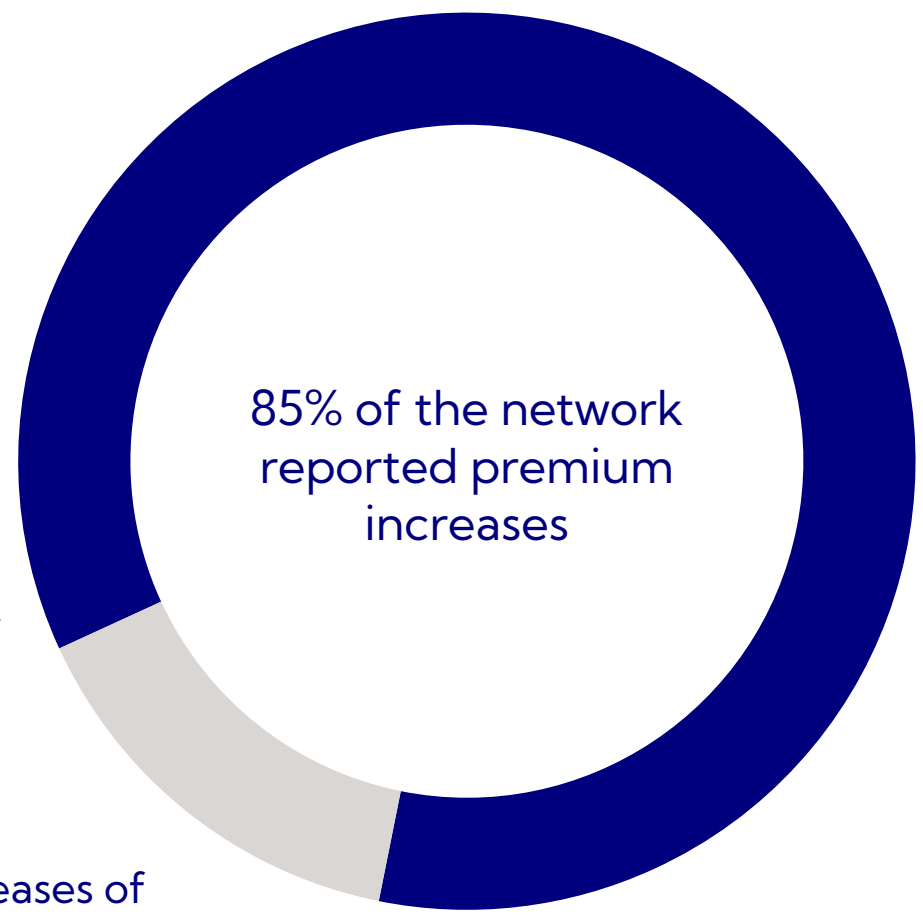
Source: Marsh

HOW NEIGHBORWORKS ORGANIZATIONS EXPERIENCED PROPERTY INSURANCE INCREASES IN 2024

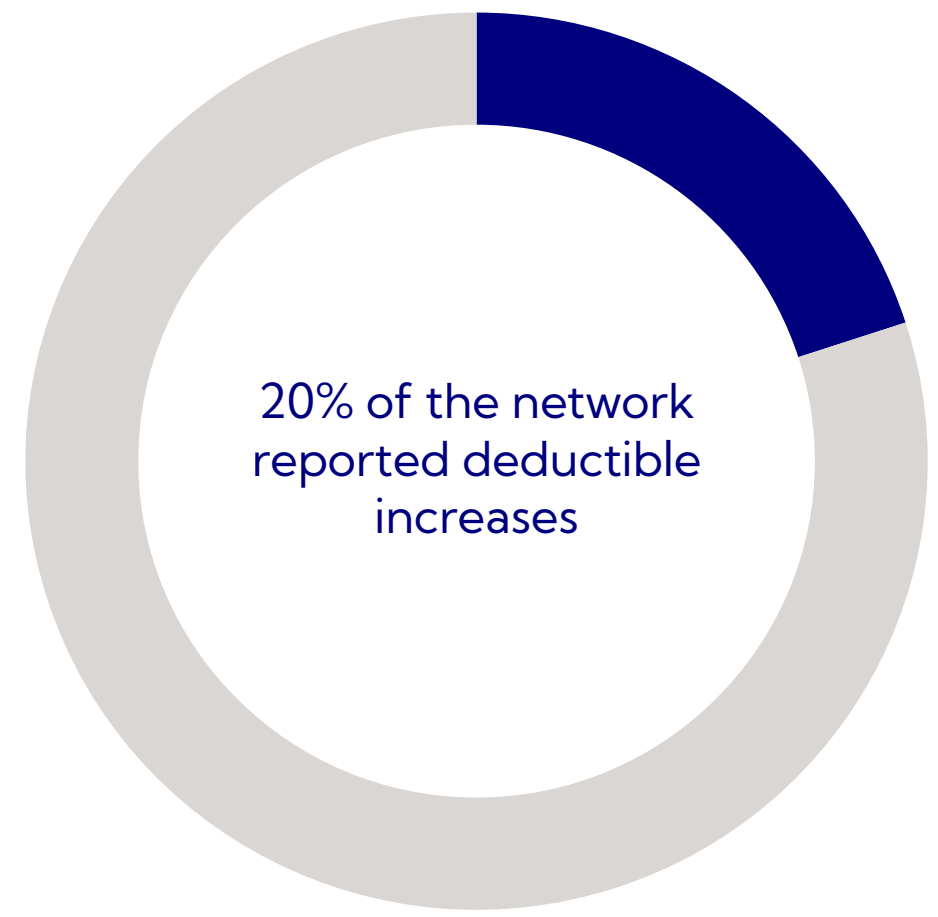


Source: NeighborWorks

HOW NEIGHBORWORKS ORGANIZATIONS EXPERIENCED PROPERTY INSURANCE INCREASES IN 2024

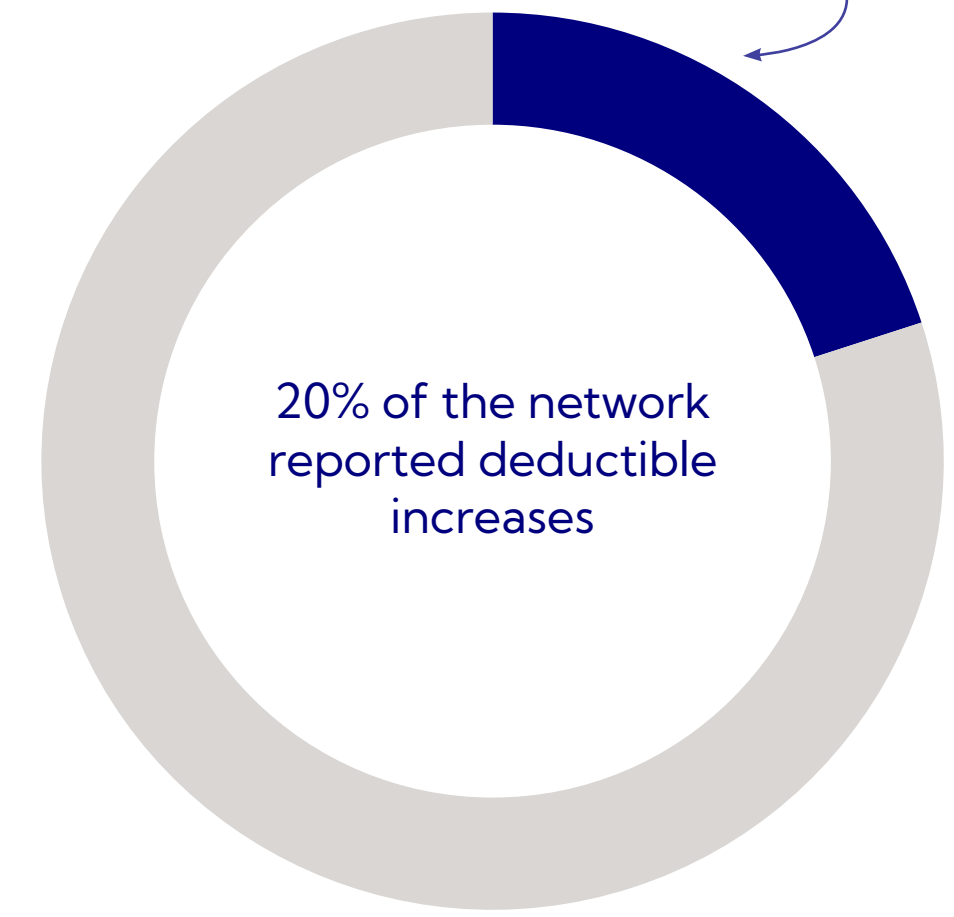
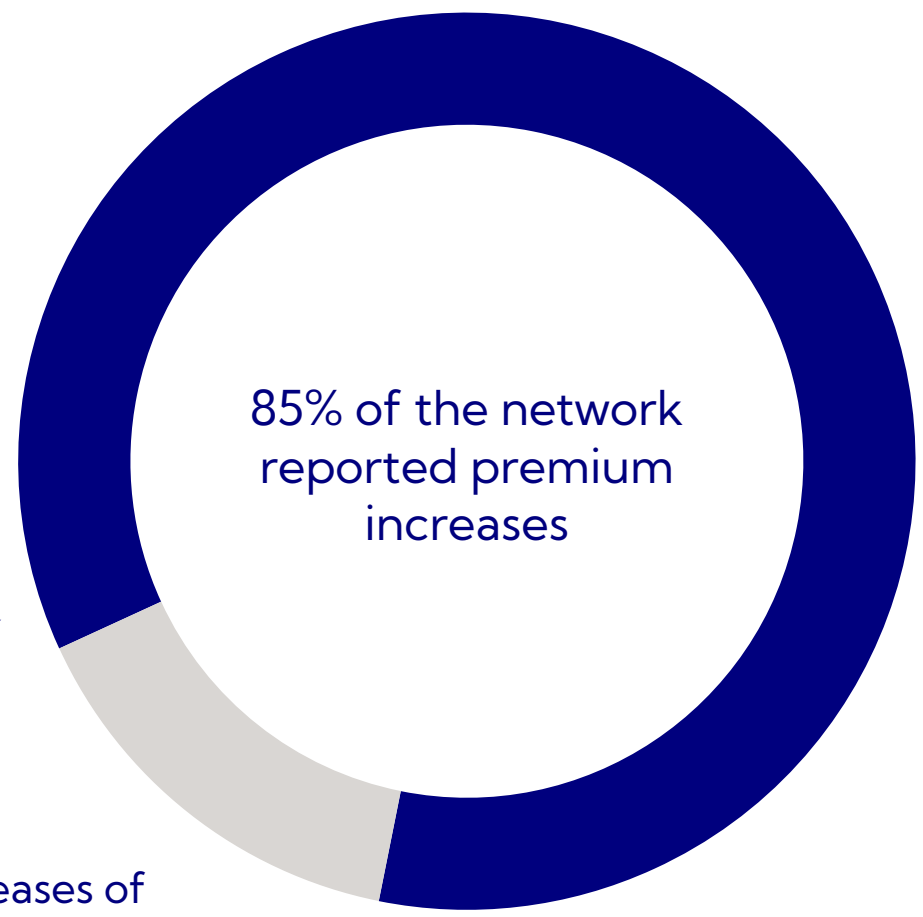


80% seeing increases of up to 25%



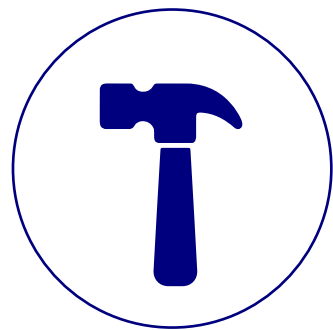
Source: NeighborWorks

HOW NEIGHBORWORKS ORGANIZATIONS EXPERIENCED PROPERTY INSURANCE INCREASES IN 2024



Source: NeighborWorks

CITED REASONS FOR INCREASES WITHIN THE NETWORK



Increase in replacement costs



Limited market/capacity



Claims/loss history



Natural disaster/weather



Location



Age of property



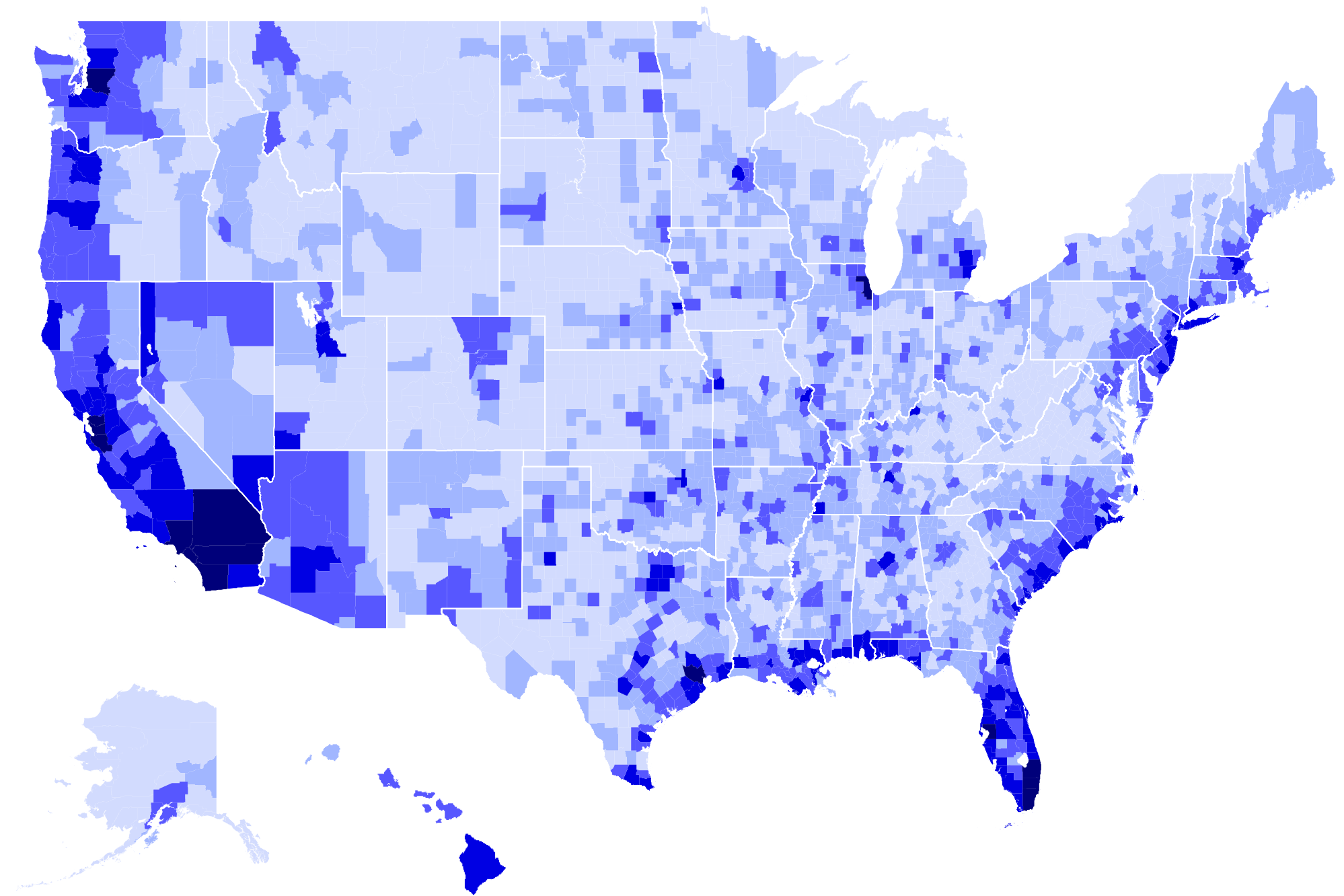
Renter population

Source: NeighborWorks

FEMA NATIONAL RISK INDEX

Highest risk in coastal states

More than 18 million rental units nationwide are under threat from environmental hazard

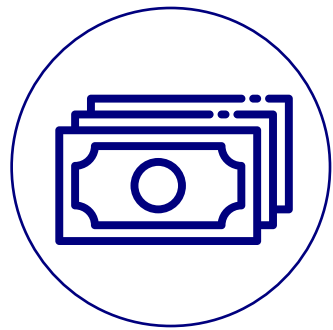


Key

- Very low
- Relatively low
- Relatively moderate
- Relatively high
- Very high

Source: FEMA, JCHS

HOW NEIGHBORWORKS MEMBER ORGANIZATIONS RESPONDED



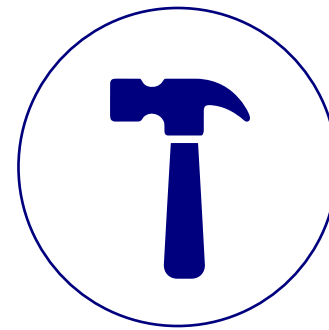
Increasing rents [where allowed]



Accessing/depleting operating reserves



Making safety/natural disaster modifications



Postponing improvements



Implementing a hiring freeze



Decreasing discretionary expenses



Delaying future housing projects

LITERATURE

HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE

CONTEXT

LITERATURE

METHODS

FINDINGS

CONCLUSION

Rising property insurance costs stress multifamily housing

Minneapolis Fed survey finds that owners of multifamily rental housing are struggling to make ends meet as property insurance premiums increase and insurance coverage shrinks

March 4, 2025

HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE

CONTEXT

LITERATURE

METHODS

FINDINGS

CONCLUSION



“When insurance and other operating expenses are growing at a much faster rate, it doesn’t take long before properties cannot cover their operating expenses”
-Multifamily Rental Property Owner

HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE

CONTEXT

LITERATURE

METHODS

FINDINGS

CONCLUSION

“The increasing cost of insurance is starting to impact decisions regarding new developments for affordable housing”

-Multifamily Rental Property Owner

Rising property insurance costs stress multifamily housing

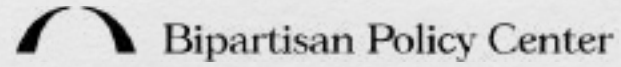
Minneapolis Fed survey finds that owners of multifamily rental housing are struggling to make ends meet as property insurance premiums increase and insurance coverage shrinks

March 4, 2025

“When insurance and other operating expenses are growing at a much faster rate, it doesn’t take long before properties cannot cover their operating expenses”

-Multifamily Rental Property Owner

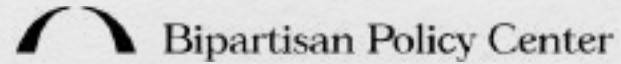
HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE



Rising Insurance Costs and the Impact on Housing Affordability

By: Emma Waters | June 25, 2024

HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE



Rising Insurance Costs and the Impact on Housing Affordability

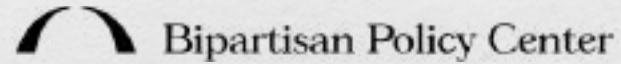
By: Emma Waters | June 25, 2024



Increased Insurance Costs for Affordable Housing Providers

October 2023

HEADLINES REVEAL WIDESPREAD DIFFICULTIES WITH PROPERTY INSURANCE



Rising Insurance Costs and the Impact on Housing Affordability

By: Emma Waters | June 25, 2024

From the Ground Floor

The Growing Storm: Rising Insurance Costs, Climate Change and Their Impact on Affordable Housing

By: Chris Sims | Feb 16, 2025



Increased Insurance Costs for Affordable Housing Providers

October 2023

METHODS

SEMI-STRUCTURED INTERVIEWS WITH AFFORDABLE HOUSING ORGANIZATIONS

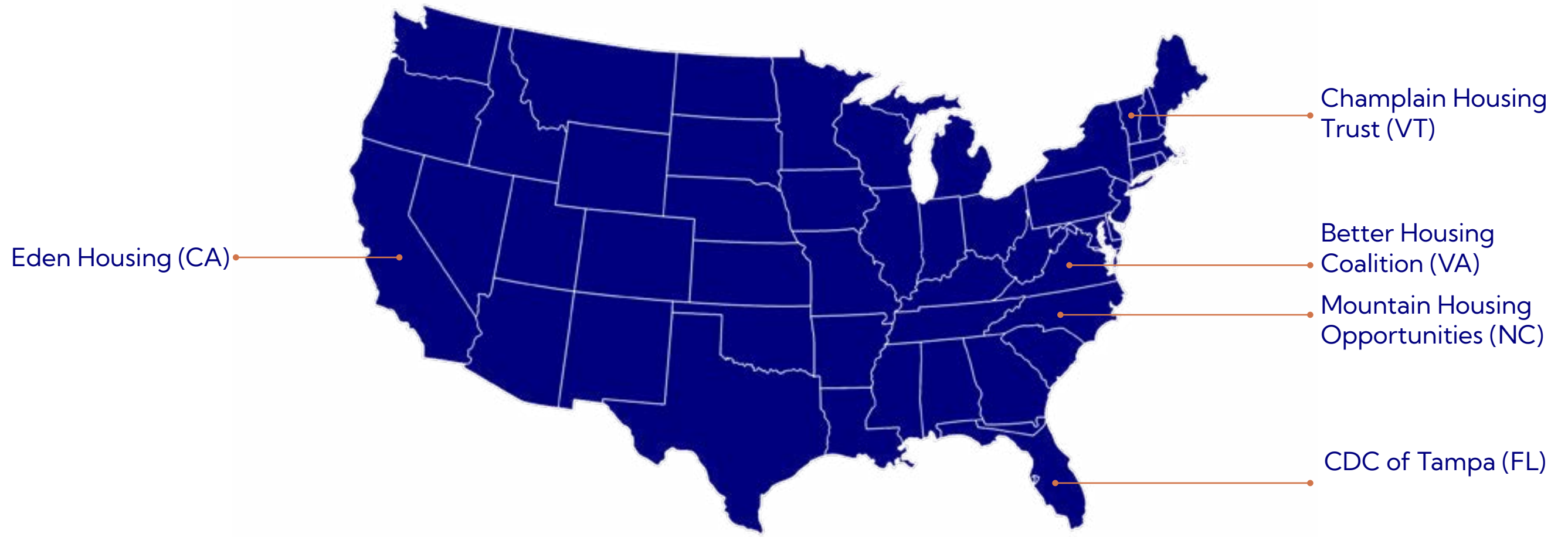
CONTEXT

LITERATURE

METHODS

FINDINGS

CONCLUSION



EDEN HOUSING (CA)

The Organization

- More than 7,500 properties throughout California
- Housing at multiple affordability levels



Affordable Senior Housing in El Cerrito, CA

CHAMPLAIN HOUSING TRUST (VT)

The Organization

- Community land trust in Northwest Vermont supplying permanently affordable homes
- Owns or manages over 2,600 apartments and stewards 670 single family shared equity homes



Affordable Housing in South Burlington, VT

BETTER HOUSING COALITION (VA)

The Organization

- Richmond region's largest community development corporation
- Supplies affordable housing in the form of 15 multifamily rental communities, 1,500 rental units, and 200 single family homes



Affordable Housing in Richmond, VA

CDC OF TAMPA (FL)

The Organization

- Offers affordable rental and homeownership opportunities throughout Tampa and Hillsborough County
- More than 820 development projects including new construction, rehabilitation, and rental units



MOUNTAIN HOUSING OPPORTUNITIES (NC)

The Organization

- More than 1,400 units of affordable housing in western North Carolina



Affordable Housing in Asheville, NC

LIST OF INTERVIEWEES

INTERVIEWEES

Greta Harris	Better Housing Coalition
Will Crawford	CDC of Tampa
Moira Birss	Climate & Community Institute
Michael Monte	Champlain Housing Trust
Doug Heller	Consumer Federation of America
Tatiana Blank	Eden Housing
Jocelyn Conway	Eden Housing
Brendan Dolan	Housing Partnership Network
Tracy Pride	IMA Financial Group
Steve Koller	Harvard Joint Center for Housing Studies
Thom Abdur	Lincoln Avenue Communities
Chris Zajac	Mountain Housing Opportunities
Cherita Perry	National Equity Fund
Anthony Chandler	NeighborWorks
Lisa Getter	NeighborWorks
Pamela Davis	Nonprofits Insurance Alliance
David Robinson	Scott Insurance
Luke Massei	Scott Insurance
Nathan Kerr	Scott Insurance
Michelle McGuire	Self Help Enterprises

MENTORS

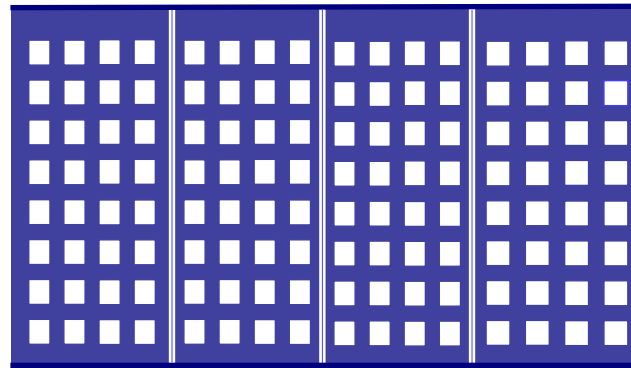
Jennifer Molinsky	Joint Center for Housing Studies mentor
Lynn Peterson	NeighborWorks America mentor

KEY INSIGHTS

01. Design and develop to limit risk
02. Consider safety improvements/retrofits
03. Craft an effective annual application
04. Consider self-insuring
05. Advocate

KEY INSIGHTS

01. Design and develop to limit risk

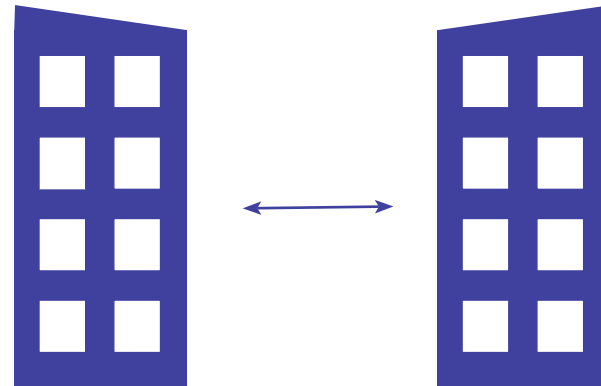
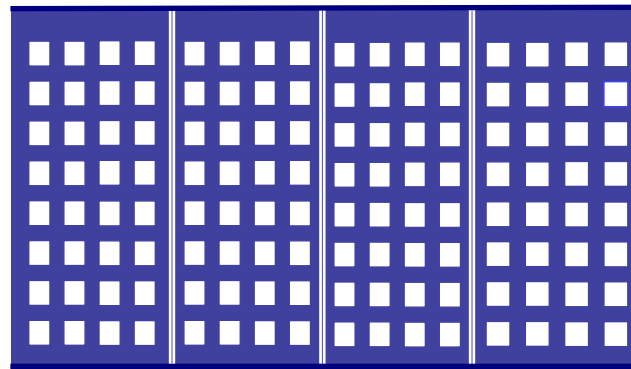


Firewalls

- Insurance companies don't want to insure larger and more expensive buildings
- Firewalls can create consolidated fire risks that the standard market would be more likely to insure
- This strategy can be helpful specifically on the builders risk side

KEY INSIGHTS

01. Design and develop to limit risk



Firewalls

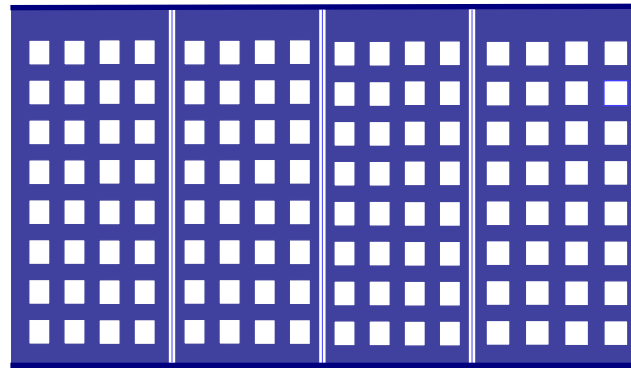
- Insurance companies don't want to insure larger and more expensive buildings
- Firewalls can create consolidated fire risks that the standard market would be more likely to insure
- This strategy can be helpful specifically on the builders risk side

Distance between buildings

- If there is more than 100ft between buildings, the buildings are typically considered as separate fire risks
- This strategy can be helpful specifically on the builders risk side

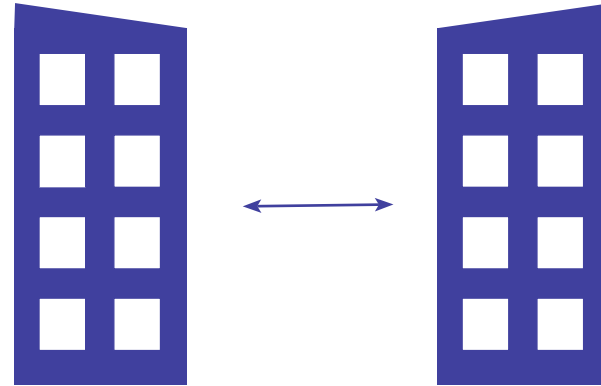
KEY INSIGHTS

01. Design and develop to limit risk



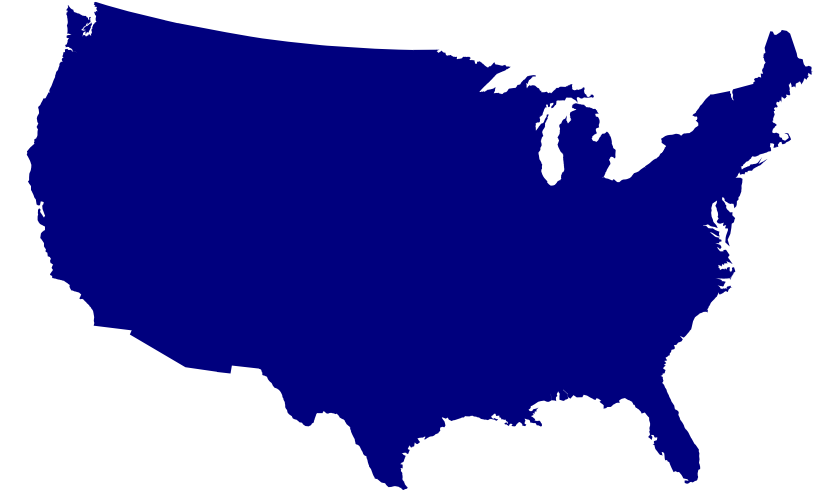
Firewalls

- Insurance companies don't want to insure larger and more expensive buildings
- Firewalls can create consolidated fire risks that the standard market would be more likely to insure
- This strategy can be helpful specifically on the builders risk side



Distance between buildings

- If there is more than 100ft between buildings, the buildings are typically considered as separate fire risks
- This strategy can be helpful specifically on the builders risk side



Geographic diversity

- Balancing spread of risk (especially coastal exposure) can help to keep a portfolio insured in the standard market

KEY INSIGHTS

01. Design and develop to limit risk



Ebike storage

- Locate bike storage with lithium ion batteries away from other buildings or in a room with sprinklers

KEY INSIGHTS

01. Design and develop to limit risk



Ebike storage

- Locate bike storage with lithium ion batteries away from other buildings or in a room with sprinklers



Fire retardant treated wood

- Burns a lot slower than non-treated wood

KEY INSIGHTS

01. Design and develop to limit risk



Ebike storage

- Locate bike storage with lithium ion batteries away from other buildings or in a room with sprinklers



Fire retardant treated wood

- Burns a lot slower than non-treated wood



Building above the BFE

- Build feet above the Base Flood Elevation (BFE)

KEY INSIGHTS

02. Consider safety improvements/retrofits



Stove Top Fire stops

- Can be cost effective (as defined by price vs cost of average claim for kitchen fires)
- Cost and quality of the product can vary from company to company (Range Queen, FireBot)

KEY INSIGHTS

02. Consider safety improvements/retrofits



Stove Top Fire stops

- Can be cost effective (as defined by price vs cost of average claim for kitchen fires)
- Cost and quality of the product can vary from company to company (Range Queen, FireBot)



Water overflow sensors/detectors

- Can help prevent major leaks that would be costly

CONTEXT
LITERATURE
METHODS
FINDINGS
CONCLUSION

KEY INSIGHTS

02. Consider safety improvements/retrofits



Stove Top Fire stops

- Can be cost effective (as defined by price vs cost of average claim for kitchen fires)
- Cost and quality of the product can vary from company to company (Range Queen, FireBot)



Water overflow sensors/detectors

- Can help prevent major leaks that would be costly



Bollards

- Can help protect building from cars

CONTEXT
LITERATURE
METHODS
FINDINGS
CONCLUSION

KEY INSIGHTS

02. Consider safety improvements/retrofits

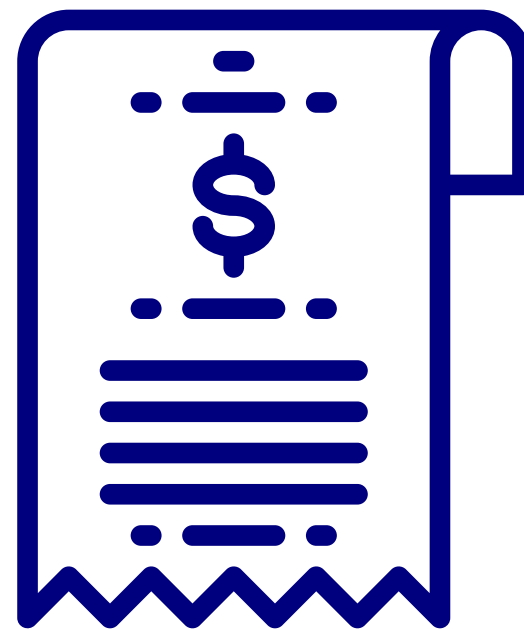


Fortified roofs

- Roof replacements as well as reinforcements can help particularly in regions with strong winds and storms

KEY INSIGHTS

02. Consider safety improvements/retrofits



Fortified roofs

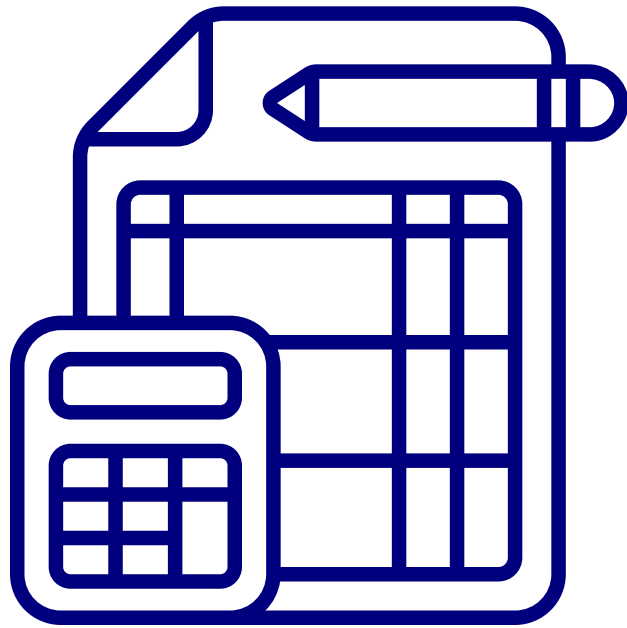
- Roof replacements as well as reinforcements can help particularly in regions with strong winds and storms

Receipts of maintenance can be helpful

- Chronicle updates to the property to include in an insurance application

KEY INSIGHTS

03. Craft an effective annual application

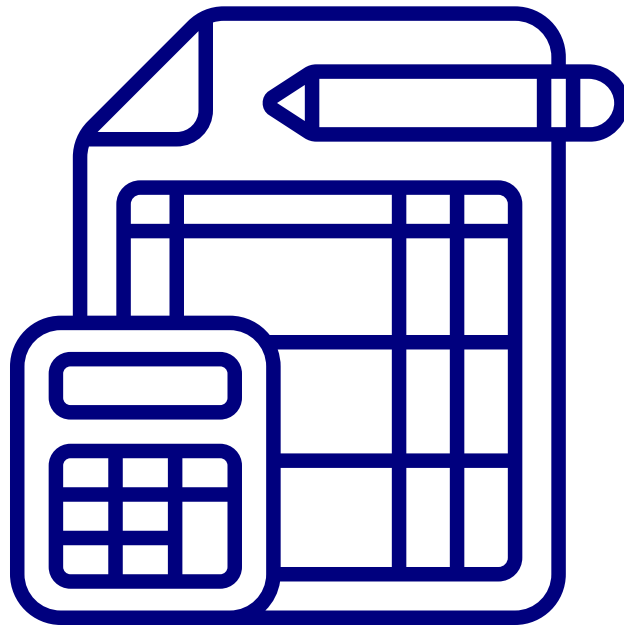


Thorough statement of values and cover letter

- Include a narrative about why you are safer than others
- Your application should stand out

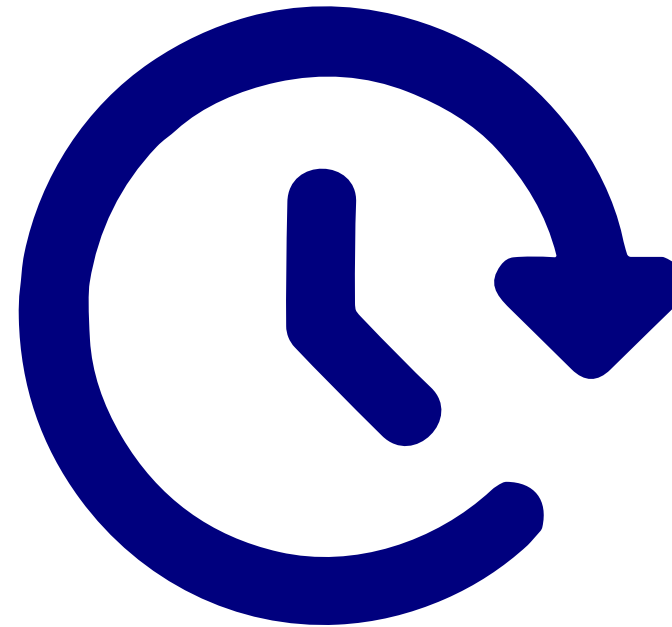
KEY INSIGHTS

03. Craft an effective annual application



Thorough statement of values and cover letter

- Include a narrative about why you are safer than others
- Your application should stand out



Limit amount and duration of claims

- Claims can significantly increase rates for years
- If something can be taken care of with existing maintenance staff, it could result in long-term premium savings

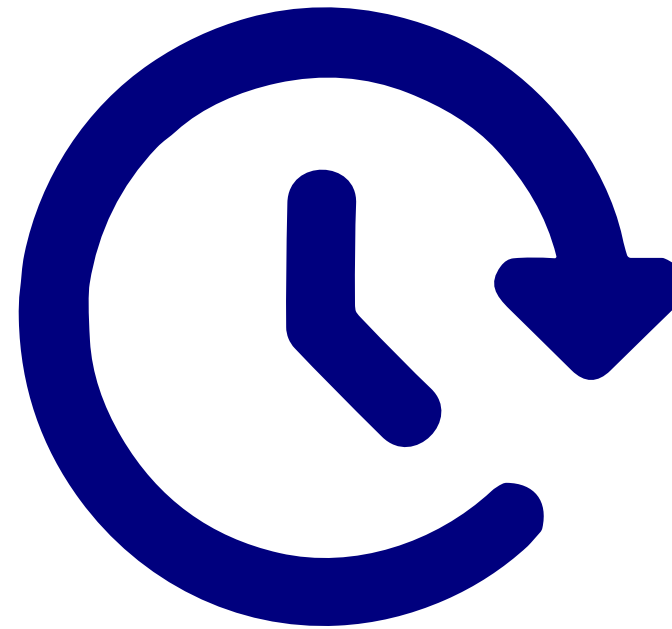
KEY INSIGHTS

03. Craft an effective annual application



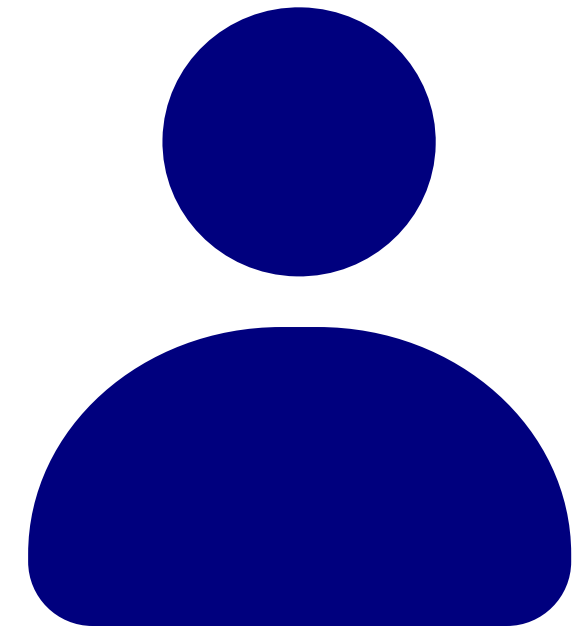
Thorough statement of values and cover letter

- Include a narrative about why you are safer than others
- Your application should stand out



Limit amount and duration of claims

- Claims can significantly increase rates for years
- If something can be taken care of with existing maintenance staff, it could result in long-term premium savings



Foster a good relationship with your underwriter and broker

- Prioritize showing your underwriter a property in person (and be strategic about which one)

KEY INSIGHTS

04. Consider self insuring



Captives, Deductible Reimbursement Policies (DRPs)

- These structures would work best with larger organizations with upfront capital, entrepreneurial drive, and an interest in risk sharing

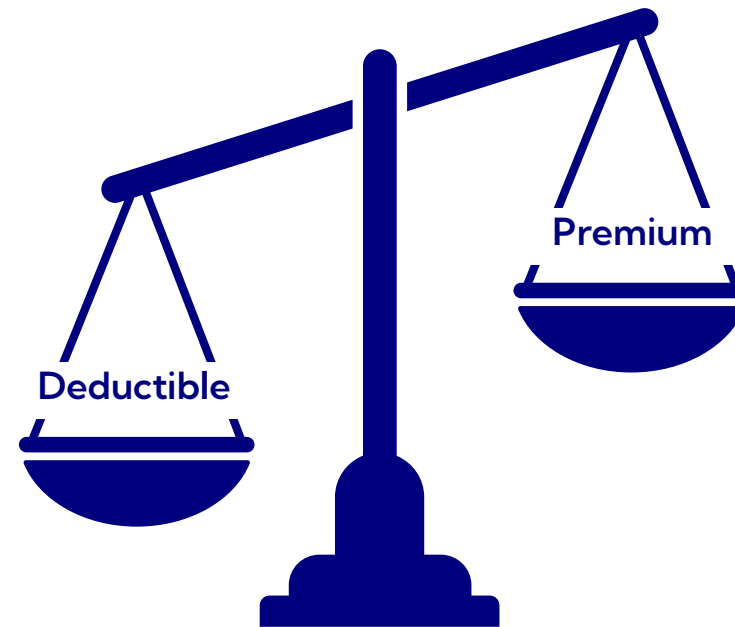
KEY INSIGHTS

04. Consider self insuring



Captives, Deductible Reimbursement Policies (DRPs)

- These structures would work best with larger organizations with upfront capital, entrepreneurial drive, and an interest in risk sharing



High deductible

- If you are able to create a significant deductible fund, this can help lower premiums

KEY INSIGHTS

05. Advocate



Data collection, regulation

- More data around affordable housing property insurance coverage

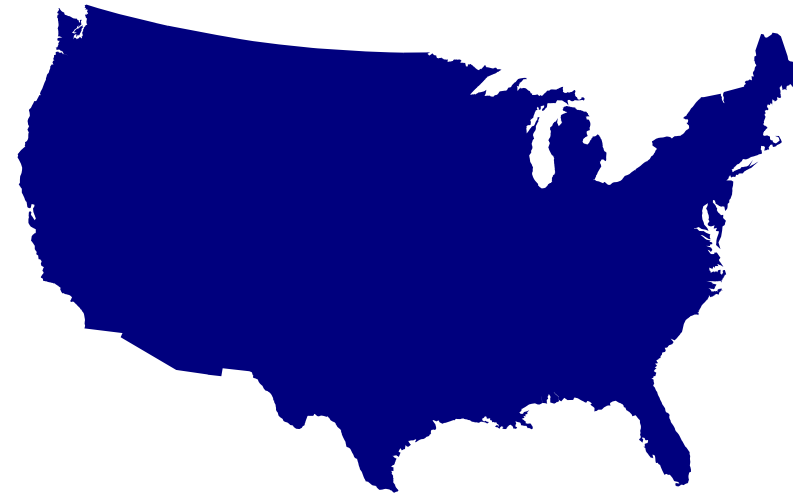
KEY INSIGHTS

05. Advocate



Data collection, regulation

- More data around affordable housing property insurance coverage



Federal or state public reinsurance

- Addressing availability issues with reinsurance
- Similar backstop was implemented in the commercial market after 9/11 (Terrorism Risk Insurance Act)

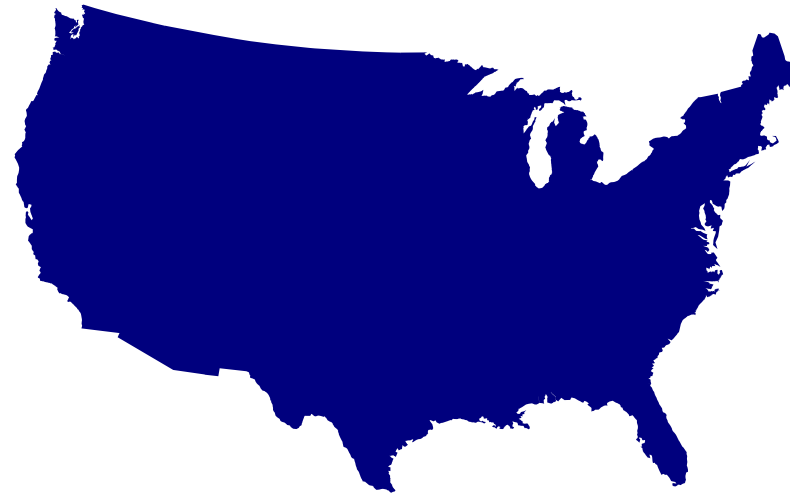
KEY INSIGHTS

05. Advocate



Data collection, regulation

- More data around affordable housing property insurance coverage



Federal or state public reinsurance

- Addressing availability issues with reinsurance
- Similar backstop was implemented in the commercial market after 9/11 (Terrorism Risk Insurance Act)



Risk mitigation programs

- Grants for affordable housing to make retrofits and safety improvements

CONCLUSIONS

KEY INSIGHTS

01. Design and develop to limit risk. Developing and designing to create distinct fire risks through distance between buildings and firewalls. Geographic diversity that balances coastal exposure. Fire resistant building materials such as fire retardant treated wood (depending on location and risk).

KEY INSIGHTS

01. Design and develop to limit risk. Developing and designing to create distinct fire risks through distance between buildings and firewalls. Geographic diversity that balances coastal exposure. Fire resistant building materials such as fire retardant treated wood (depending on location and risk).

02. Consider safety improvements/retrofits. Adding stove top fire stops, leak detection monitors, and bollards. Documenting maintenance and improvements can help factor into your overall application.

KEY INSIGHTS

01. Design and develop to limit risk. Developing and designing to create distinct fire risks through distance between buildings and firewalls. Geographic diversity that balances coastal exposure. Fire resistant building materials such as fire retardant treated wood (depending on location and risk).

02. Consider safety improvements/retrofits. Adding stove top fire stops, leak detection monitors, and bollards. Documenting maintenance and improvements can help factor into your overall application.

03. Craft an effective annual application. Limiting the amount and duration of claims. Including a thorough statement of values and cover letter. Maintaining a strong relationship with broker. Telling the story of why you are safer than your peer group.

KEY INSIGHTS

01. Design and develop to limit risk. Developing and designing to create distinct fire risks through distance between buildings and firewalls. Geographic diversity that balances coastal exposure. Fire resistant building materials such as fire retardant treated wood (depending on location and risk).

02. Consider safety improvements/retrofits. Adding stove top fire stops, leak detection monitors, and bollards. Documenting maintenance and improvements can help factor into your overall application.

03. Craft an effective annual application. Limiting the amount and duration of claims. Including a thorough statement of values and cover letter. Maintaining a strong relationship with broker. Telling the story of why you are safer than your peer group.

04. Consider self-insuring. Captives, Deductible Reimbursement Policies (DRP), and electing a higher deductible can aid some larger organizations in managing property insurance rates.

KEY INSIGHTS

01. Design and develop to limit risk. Developing and designing to create distinct fire risks through distance between buildings and firewalls. Geographic diversity that balances coastal exposure. Fire resistant building materials such as fire retardant treated wood (depending on location and risk).

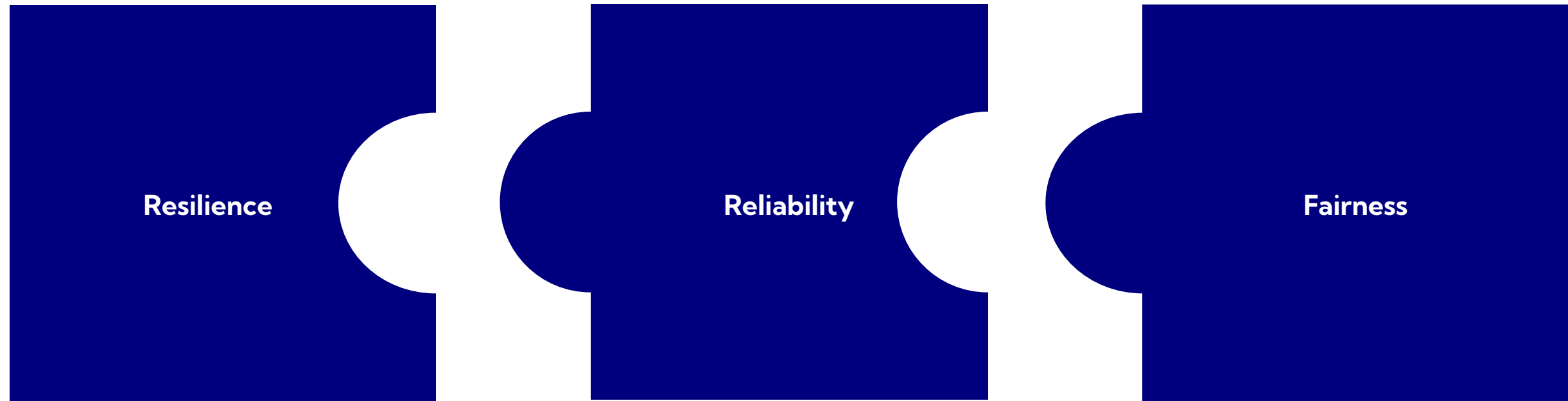
02. Consider safety improvements/retrofits. Adding stove top fire stops, leak detection monitors, and bollards. Documenting maintenance and improvements can help factor into your overall application.

03. Craft an effective annual application. Limiting the amount and duration of claims. Including a thorough statement of values and cover letter. Maintaining a strong relationship with broker. Telling the story of why you are safer than your peer group.

04. Consider self-insuring. Captives, Deductible Reimbursement Policies (DRP), and electing a higher deductible can aid some larger organizations in managing property insurance rates.

05. Advocate. Some are advocating for state-backed reinsurance or state run policies that help fund risk mitigation and safety improvements.

OPPORTUNITIES FOR FUTURE ACTION AND RESEARCH



CONTEXT

LITERATURE

METHODS

FINDINGS

CONCLUSION

THANK YOU!