Curbing the Insurance Spiral

Policy and Practitioner Strategies to Help Stabilize Multifamily Affordable Housing

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Enterprise

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Introduction

While the public debate around the insurance crisis has largely focused on the skyrocketing premiums in the homeownership market, an equally distressing trend of soaring insurance rates in the multifamily sector threatens to destabilize America's affordable housing portfolio — and drive up costs amid an unparalleled national housing crisis. Increasing operating costs have even caused some nonprofit and for-profit affordable housing providers to go bankrupt, imperiling the nation's affordable housing stock and potentially millions of Americans.

Compounding pressures from rising interest rates, workforce shortages, and cuts to government programs had already created untenable financial situations for many such organizations, but runaway insurance premiums are arguably the single greatest threat to the sector today. Combined with other challenges like rising material, labor, and construction costs, insurance premiums are driving some of the catastrophic failures that, in recent years, have led to the collapse of long-standing nonprofit providers. Leaders are taking note and slowly beginning to address the problem, but without swift action, many developments will lose their affordability covenants and many more will never be built.

Background

Mission-driven affordable housing developers, owners, and operators are tasked with the challenge of providing quality housing at below-market rents. They do this while juggling other priorities such as improving access to critical services like childcare, improving resident health and well-being through access to resources such as food pantries or job training — all of which help in building strong communities. To achieve these outcomes, they rely on a patchwork of public, private, and philanthropic dollars, often running on the thinnest margins while navigating cost pressures from every direction. Any shift in this delicate balance can quickly push a nonprofit provider over a financial cliff.

Housing providers' ability to survive in this funding environment is possible even though 29% of them experienced insurance premium increases of 25% or higher in 2023, many of whom experienced increases of 30 to 100% — or more. In examining Enterprise's own investment portfolio, California providers — one of the largest and most visible affordable housing markets — reported a 56% increase in costs from 2020 to 2022 and increases between 50% and 500% in 2024. This comes on the heels of 25 consecutive quarters of property insurance increases for housing providers.

To stay in business, providers have had to make difficult decisions. Many assumed greater risk through increased deductibles, reduced coverage, or effectively self-insuring by not filing claims. Some pooled their risk and purchasing power, with mixed results. Others passed costs onto tenants — through deferred maintenance, rent increases (even as rents are at record highs in nearly every state), or reduced services — further driving up day-to-day costs for working families. However, because these choices fail to address the root causes of the problem, a number of affordable housing providers have closed their doors over the past few years. Many more have ceased production or sold off properties, causing a loss of affordable housing inventory when it is needed most.

Multifamily property owners typically purchase multiple layers of insurance coverage, and, increasingly, this coverage is decreasing while costing more. In addition, while it used to be beneficial to combine properties for the best insurance rates, many affordable housing owner-operators are disaggregating their portfolios to group lower-risk properties, delineated by factors assessed by insurers, from higher-risk properties.

At the foundation of the coverage is property insurance, which covers physical structures such as buildings, equipment, and common areas against damage from fire, wind, hail, or water. Owners also carry general liability insurance to protect against claims of injury or damage that occur on the property. An example of this is if a resident slips and falls in a common hallway, or even in cases where an injury occurs on the property to a non-resident.

Depending on the location and financing requirements, owners may need specialized coverage such as flood insurance (often mandated in FEMA-designated flood zones), earthquake insurance, or windstorm policies. For affordable housing in particular, lender/investor and syndicator requirements typically dictate the minimum levels of coverage to protect not only residents and property, but also the long-term financial performance of the investment.

Unlike homeowners' insurance, which is typically purchased from a single company and covers all risks (aside from flood), multifamily properties are often covered by multiple insurers and each coverage type may be priced individually and provided by separate insurers. In recent years, the aggregate cost of these layers of insurance coverage has been rising significantly, even as the quality of coverage decreases (as measured by rising deductibles; exclusions; and sub-limits, which cap insurance payouts for certain types of claims at a lower level than the policy maximum).

Solutions

The urgency of this situation has caught the attention of national leaders and the global marketplace. Policymakers have begun to develop possible solutions, and states in particular are testing promising new ideas that can be refined and scaled across the country. This increased awareness creates tremendous opportunity to lower costs for both providers and insurers, but it will require collaboration, partnership across industries, and short-term measures to carry the affordable housing industry until the full effects are felt in the form of lower premiums. This report explores many of those solutions, highlights concrete examples, and considers short- and long-term approaches to the crisis.

Because insurance is fundamentally regulated at the state level, this briefing focuses on policies that governors, state legislatures, and insurance commissioners can implement. Chief among those are strategies to bring insurers back into the marketplace. Competition is a necessary first step to lower costs, and states will need to find ways to increase choice for consumers. That alone, however, will not be sufficient to reduce costs — states must also be prepared to incentivize, or even finance, risk mitigation strategies that reduce the frequency and severity of losses. Finally, states may consider additional steps to ensure accountability and transparency measures that ensure a reduction in premiums.

Despite this focus on states, the federal government also has a critical role. The toolkit explores how Congress and the Federal Housing Finance Agency's regulated enterprises, Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, can provide incentives, reforms, and other support. Legislative action, described below, could include the establishment of backstops, incentives or subsidies for investments in risk reduction, or the extension of tort protections to affordable housing.

Finally, there are multiple levers at providers' disposal that can substantially reduce costs in the interim. This will require that providers educate themselves on their risk exposure — real or perceived — and take concrete steps to reduce them. More importantly, this report will look at ways that providers can leverage brokers and increase communication about mitigation strategies to advocate for lower prices on an individual property basis.

Practitioner and Policymaker Toolkits

While the impact on homeowners is well-known, the lesser-known impacts on the multifamily rental housing industry deserve special consideration. This report shines light on the insurance challenges facing affordable housing owners and operators, with a particular focus on action that can be taken to reduce property and liability policies. The strategies are divided into two toolkits. The first toolkit focuses on how providers can reduce their risk exposure by exploring strategies for working with brokers, improving property conditions, and reducing exposure to man-made and natural disasters. The second toolkit focuses on the role of policymakers in implementing solutions that draw carriers back into the marketplace, create incentives for mitigating risk, and achieve meaningful reductions to the costs of insuring multifamily properties.

Challenges in Insurance Access and Affordability

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Challenges in Insurance Access and Affordability

Multifamily properties face common drivers of increased cost and reduced access to insurance, including record-high inflation and the increasing impact of climate-related natural disasters.

Inflation

Recent record-high inflation has increased both claim costs and property values. Affordable housing insurance costs are highly affected by the total replacement cost of the insurance for the total insured value of the property. When the cost (replacement value) of the property increases, the premium is directly affected. Although property valuation increases due to materials and labor costs slowed in 2024, the past four years of compounding (after meteoric increases during the COVID-19 pandemic) have locked in high premium bases, which directly affect the property premiums. Even when property owners are willing to assume greater risk by maintaining steady coverage levels, they are often required by insurers, lenders, or investors to increase their total insured value (TIV) to reflect rising construction and replacement costs. These requirements, in turn, drive higher premiums even when the owner's underlying coverage objectives have not changed.

Climate-Related Natural Disasters

Rising hazard frequency, intensity, and loss severity

The United States has seen a clear rise in both the frequency and severity of climate-driven catastrophes over the past several decades — hurricanes, flooding, severe storms, large wildfires, and extreme heat events. These events aren't anomalies anymore; they're happening more often, across wider areas, and in ways that overlap, leading to bigger and more unpredictable insured and economic losses. The **billion-dollar disaster dataset** (formerly tracked by the National Oceanic and Atmospheric Administration, maintained by Climate Central as of October 2025) shows 403 U.S. weather and climate disasters from 1980 to 2024 where overall damages and costs reached or exceeded $1 billion, with an average of nine events per year. However, from 2013 to 2022, there were more than 170 of these $1 billion events (an average of 17 per year), and 2020 to 2024 averaged 23 events per year. That number rose to 27 in 2024 alone. (Prior year costs are adjusted to 2024 dollars using the consumer price index to allow for comparability.)

Climate science and loss records together tell a consistent story: Extreme precipitation and storm surges contribute to more damaging coastal storms; longer fire seasons and drier fuels increase the scale and severity of wildfires; more frequent and intense rain events overwhelm existing infrastructure and impact structures in floodplains; and excessive heat events stress building systems and people. These more frequent and intense hazards are causing more damage, increasing both the number of insurance claims and the average claim severity, as well as risk to insurers. As a result, property insurers are seeing increased payouts, greater year-to-year volatility, and higher capital and reinsurance costs — all of which can drive up premium prices, restrict coverage, or force insurers out of markets.

Market inflection points

In 1992, Hurricane Andrew made landfall as a Category 5 storm in South Florida, nearly flattening the town of Homestead and causing $27.3 billion in damage (over $63 billion in 2025 dollars). The storm prompted **insurance markets in states with high hurricane risk to harden** and recalculate future loss projections. In Florida, the state government backed solutions such as the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation to stabilize coverage availability, and policyholders became subject to hurricane deductibles.

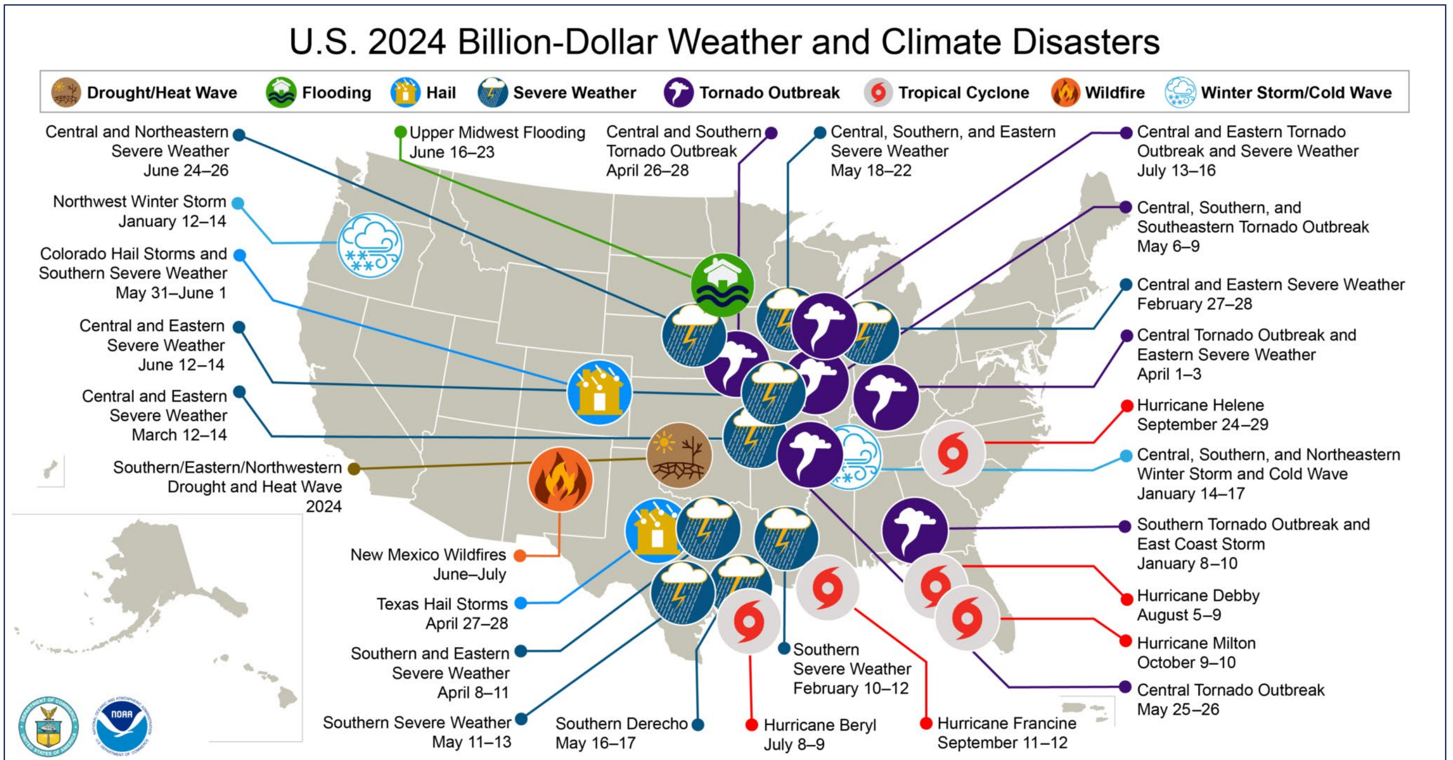
While these adjustments helped the Florida market weather the impacts of the 2004 and 2005 seasons — during which seven named storms made landfall in Florida, including Category 3 storms Charley and Ivan — Hurricane Katrina's Gulf Coast landfall in August of 2005 once again disrupted the insurance market. Katrina caused **$125 billion in damage** (in 2005 dollars, or more than $207 billion in 2025 dollars), producing one of the largest insured losses in U.S. history and upending long-established risk modeling and insurance pricing structures. Insurer behavior responded to these events with dramatic re-pricing of hurricane exposure, increased use of reinsurers and alternative capital, and new attention to demand surge and flood-related coverage gaps.

There was a major change in the Moody's Risk Modeling System (RMS) North Atlantic Hurricane Model in 2023. Expected loss calculations are up 10 to 20%, and in the Gulf, Texas, Florida, and southeastern U.S., the expected increase is 30%. This is the North Atlantic Hurricane Model's most significant update in over a decade.

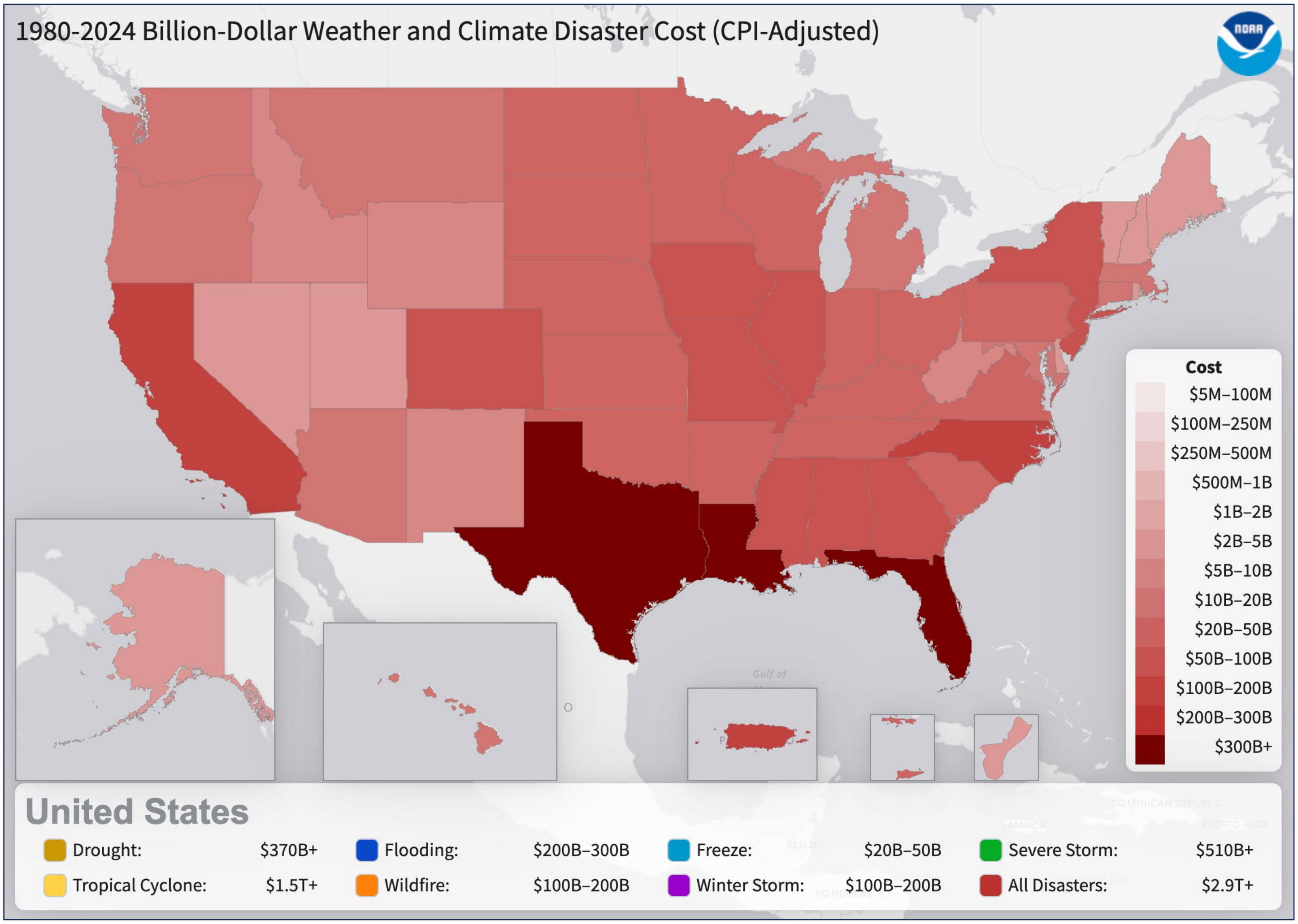
Naturally, when the risk of loss increases, premiums will rise, especially when accompanied by increased replacement costs.

U.S. Property / Casualty - Combined Ratio Components Excludes mortgage and financial guaranty segments ($ billions)								
	Net Premiums Written	NPW Growth (%)	Loss Ratio	LAE Ratio	Underwriting Expense Ratio	Dividend Ratio	Combined Ratio	Pts. from Catastrophe Losses
2018	617.4	10.7	61.2	10.8	27.1	0.6	99.6	5.7
2019	638.2	3.4	60.4	11.0	27.0	0.8	99.2	4.1
2020	654.2	2.5	59.4	10.8	27.3	1.2	98.8	7.7
2021	715.5	9.4	62.8	10.2	26.3	0.7	100.0	7.5
2022	773.7	8.1	66.9	10.1	25.7	0.5	103.1	6.7
2023E	862.1	11.4	67.6	10.0	25.5	0.5	103.7	7.8
2024P	939.5	9.0	64.2	10.0	25.9	0.6	100.7	6.8

LAE = Loss Adjustment Expenses
Source: AM Best data and research



*This map denotes the approximate location for each of the **27 separate billion-dollar weather and climate disasters that impacted the United States in 2024.***



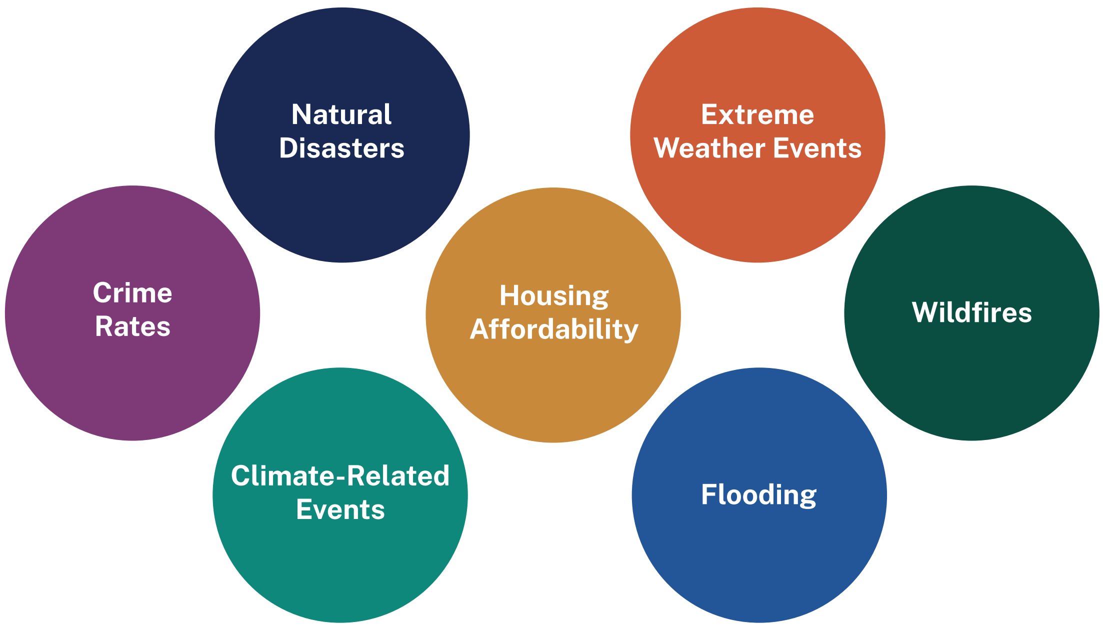
Source: https://www.ncei.noaa.gov/access/billions/mapping

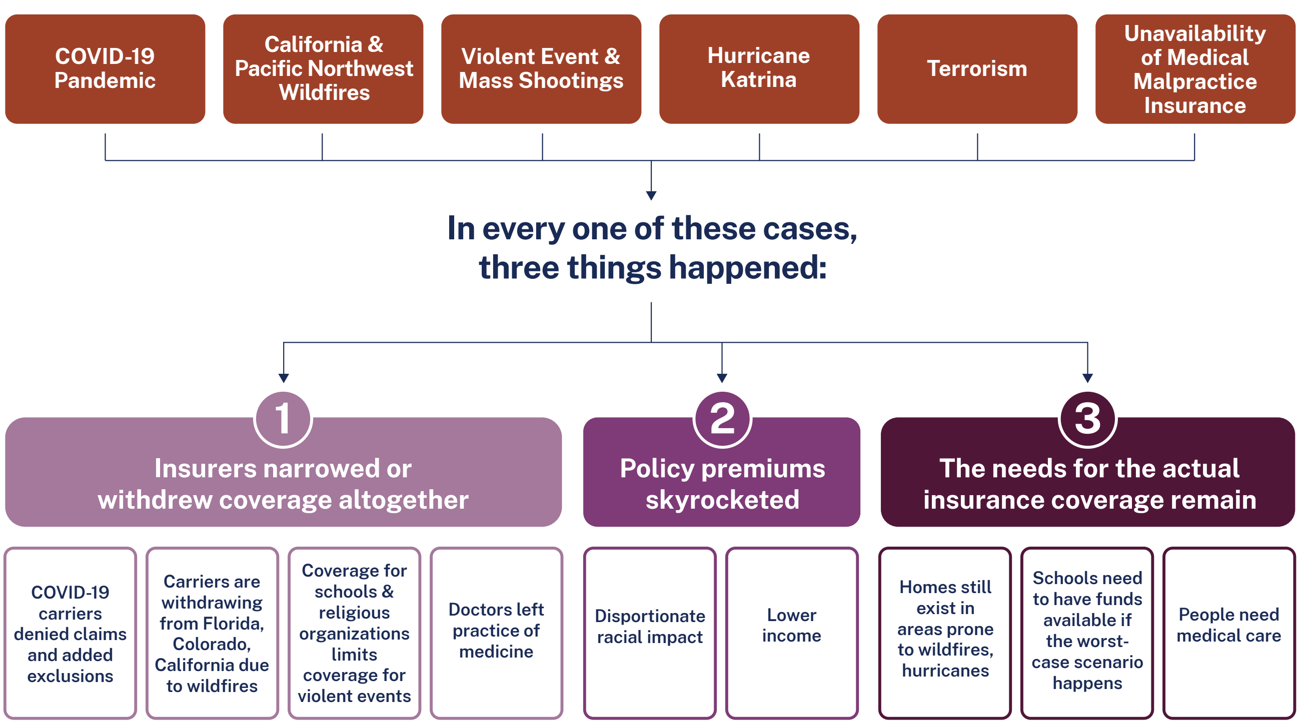
Billion-dollar events to affect the United States from 1980 to 2024 (CPI-Adjusted)

Disaster Type	Events	Events/ Year	Percent Frequency	Total Costs	Percent of Total Costs	Cost/ Event	Cost/ Year	Deaths	Deaths/ Year
Drought	32	0.7	7.9%	$367.6B	12.6%	$11.5B	$8.2B	4,658	104
Flooding	45	1.0	11.2%	$203.3B	7.0%	$4.5B	$4.5B	765	17
Freeze	9	0.2	2.2%	$37.4B	1.3%	$4.2B	$0.8B	162	4
Severe Storm	203	4.5	50.4%	$514.4B	17.6%	$2.5B	$11.4B	2,145	48
Tropical Cyclone	67	1.5	16.6%	$1,543.3B	52.9%	$23.0B	$34.3B	7,211	160
Wildfire	23	0.5	5.7%	$147.9B	5.1%	$6.4B	$3.3B	537	12
Winter Storm	24	0.5	6.0%	$104.2B	3.6%	$4.3B	$2.3B	1,463	33
All Disasters	**403**	**9.0**	**100.0%**	**$2,918.1B**	**100.0%**	**$7.2B**	**$64.8B**	**16,941**	**376**

Source: https://www.ncei.noaa.gov/access/billions/state-summary/US

Storms over the past two decades have produced dramatic effects on the insurance market, so the challenges of rising insurance premium costs and access to coverage are not unique to today. The issues of disparate access and disparate impact have pervaded property and casualty insurance for decades and are often interconnected with the assessment of risk. For instance, flooding frequently has disproportionate impacts on low-income and historically underserved communities, which the National Flood Insurance Program (NFIP) has attempted to address by pairing risk-based pricing with targeted assistance, mitigation investments, and community-level programs — yet this narrowly tailored insurance framework still has significant operational flaws. Flood insurance is far from the only example.





Rising Insurance Premiums and Market Volatility

The rise in property and casualty insurance costs for affordable housing owners and operators has consistently outpaced reliable predictive models. Increases of up to 20% or more annually have been reported, compounding year after year. At this rate, insurance costs could more than double every five years, posing a significant threat to affordable housing providers nationwide.

Property and casualty insurance pricing does not take place in a vacuum. As an economic sub-sector within the overall financial services sector, it can change based on local, regional, national, and even global variables. These variables could include political shifts, climate-related losses, chronic and episodic war and civil unrest, the global economy, employment trends, and technology, to name a few. As such, insurance affects — and is affected by — factors and conditions both large and small. Neither insured nor insurer can conduct business with each other without due regard for such factors. There are many intangible factors as well. For affordable housing, it includes matters such as image and reputation, supply and demand, and investor demand.

In order to address rising insurance cost concerns, namely fixed and variable costs, availability, competition, and broader market dynamics, it is essential first to understand underlying factors.

Insurance costs for affordable housing risks have consistently increased year over year. While rising premiums are a trend across most insurance sectors, the rate of increase has been notably higher for habitational risks compared to other business classes, and even more so for affordable housing habitational occupancies. However, current reporting constraints make it impossible to isolate habitational risk, specifically affordable housing risk, compared to other industry sectors.

In 2023, the combined loss ratio for property insurance carriers was 101.7%, a slight improvement from 102.5% in 2022. This ratio (defined as claims costs plus administrative costs divided by premium) reflects insurer profitability. When this figure exceeds 90%, the insurance carrier may face thin margins. A combined ratio over 100% indicates that insurers are experiencing an underwriting loss; that is, they pay out more in claims than they collect in premiums. Given that insurance companies typically allocate around 20% to 25% of premiums to operating expenses, this can create financial challenges — especially when investment income fails to offset underwriting losses. The commercial property and casualty sector fared worse, with a combined ratio of 110% in 2023, signaling significant financial strain.

Insurance carriers are owned by different entities — some by shareholders (stock companies) and others by policyholders (mutuals or captives). All have stakeholders to whom company leadership is beholden. When financial performance suffers, stock values decline, or surplus reserves shrink.

To recover, insurers often:

- Increase premiums
- Implement sub-limits or exclusions
- Re-underwrite their portfolios, reassessing risk based on recent loss activity

Unlike mortgage holders, who act based on long-term risk exposure, property and casualty insurers reassess and re-price risk annually, making them more reactive to short-term loss trends. Mortgage maximum risk is the unpaid loan value. In contrast, insurance maximum risk is the policy limit which could dwarf the mortgage balance. A large property loss or liability claim payout could far exceed the policy premium paid. Because of this, insurance carriers are inherently conservative and often avoid the risks they cannot mitigate, thus further aggravating the problem for insureds.

One of the most promising strategies for achieving more affordable and sustainable insurance coverage is to expand the number of carriers participating in any given market. A larger pool of insurers enables better risk diversification, which is a cornerstone of the insurance industry's ability to manage unexpected losses.

Encouraging more carriers to assume smaller portions of risk, across geographic regions, business classes, or lines of coverage (e.g., property, liability, or auto), helps reduce volatility and spreads exposure more evenly. This diversification not only promotes market stability but also lessens the financial strain on any single carrier. The ongoing challenge is demonstrating to both insurers and state and federal regulators that affordable housing represents a sound financial opportunity, warranting their continued participation and investment. Ultimately, increased carrier participation fosters greater competition, enhances the availability of coverage, and can lead to more favorable premium rates for affordable housing providers and other insured parties.

Reinsurance Costs

Reinsurance is the insurance that insurance companies buy to protect themselves against large or unexpected losses. It is essentially a backstop, allowing primary insurers that most consumers think about to spread risk across a global pool of reinsurers that assume part of the potential exposure.

Reinsurance market contraction and limited capacity

Over the past several years, the global reinsurance market has undergone significant contraction, with many reinsurers reducing their exposure to property risks, especially in regions experiencing frequent natural catastrophes. The reduction in available capacity has created a difficult market where fewer reinsurers are willing to take on the risk and those that remain are imposing more restrictions. This translates to a smaller pool of reinsurance options and less competition, which increases pricing pressure.

More expensive and less available reinsurance

There have been a series of costly disasters globally, resulting in reinsurers raising their premiums to recover losses and improve capital ratios. Compounding this issue, some have exited specific geographies or risk classes entirely, including multifamily housing, which reinsurers may perceive as having elevated exposure to severe weather, liability claims, and aging infrastructure.

Higher attachment points, stricter terms, and more costly primary insurance for carriers

Because reinsurers also demand higher attachment points, primary carriers must now retain a larger share of losses before reinsurance coverage begins. This increases the risk retained by insurers and contributes to rising primary insurance premiums. The reinsurance may also include less coverage and narrower definitions, event sub-limits, and exclusions for secondary perils such as convective storms or urban flooding. As a result, it drives up the cost for owner-operators who are seeking consistent and comprehensive coverage, or those providers who are required under terms established by investors.

Inflationary construction costs and building material shortages

Factors such as inflation and building material shortages make rebuilding or repairing damaged properties much more costly. There has been a surge since 2020 in those costs, which means claim payouts are now higher, especially due to reinsurers calculating risk based on the total replacement value. Higher construction costs have led to repricing, which is particularly challenging for affordable housing portfolios that operate with constrained budgets and have limited ability to absorb deductible increases.

Geographic concentration of risks (particularly in coastal and rural regions)

Often affordable housing may be concentrated in geographies with higher climate exposure risks, including floodplains and wildfire prone areas. Rural areas can also present challenges due to older building stock and constraints on local capacity to handle claims.

The U.S. property and casualty insurance marketplace remained under sustained pressure throughout 2025. While property insurance rate increases have shown signs of stabilization in select markets, liability insurance continues to experience significant upward cost trends due to increased litigation, social inflation, and constrained carrier capacity. Marketplace risks, pricing trends, and regulatory dynamics affecting the affordable housing sector include the following key drivers outlined in the following section: climate, emerging terms and conditions, gaps in federal and state safety net programs, insurance “redlining” of subsidized properties, usage of crime scores, perceived risks associated with permanent supportive housing, and tort law and “nuclear” jury verdicts/payouts.

Property and Liability Risk Drivers

Insurance carriers often face challenges when underwriting habitational risks (properties where individuals reside 24/7). The underwriting hesitation is less about whether the housing is market-rate or affordable, and more about the inherent exposures associated with continuous occupancy; to the extent that the frequency or cost of liability-related claims are perceived or assumed to be higher in affordable properties, affordable properties will see higher premiums or lower quality coverage. Thus, ensuring underwriters have a complete claims history for a property is a critical factor in obtaining accurate pricing.

From a liability insurance perspective, carriers are primarily concerned with:

- Fire-related injuries: the risk of multiple individuals being trapped or injured during a fire event
- Violent incidents: the potential for bodily injury claims arising from assaults or other violent occurrences
- Slip, trip, and fall frequency: common in high-traffic residential environments, especially where maintenance is inconsistent

To mitigate these concerns, underwriters place significant emphasis on:

- The presence and functionality of fire suppression systems (e.g., sprinklers and alarms)
- Ongoing maintenance of common areas and safety infrastructure
- Documented safety protocols and risk management practices

From a property insurance standpoint, the focus shifts to the physical condition and resilience of the building. Key underwriting considerations include:

- Age of original construction: older buildings may have outdated materials or structural vulnerabilities
- Roof condition and age: a major factor in water damage and weather-related claims
- System updates: HVAC, electrical, and plumbing systems must be modern and well-maintained to reduce the likelihood of loss due to system failure

While this report focuses on affordable housing, it is important to recognize that these underwriting concerns are universal across all habitational risks. Establishing baseline expectations for safety, maintenance, and transparency can help bridge the gap between insurers and housing providers, ultimately improving access to coverage and encouraging more carriers to participate in this essential market.

It is also important to note the growing pressures driving up liability insurance costs. Two significant contributors are:

- Social inflation: reflects the rising cost of claims due to factors like higher jury awards, broader definitions of liability, and increased perceived value of loss
- Litigation funding: where third-party entities finance lawsuits, often increasing the frequency and cost of litigation, and further burdening liability insurers

How Climate Raises Physical Exposure

Hurricanes Andrew and Katrina may have been inflection points disrupting long-established insurance climate-risk models, but extreme weather events are not limited to hurricanes and are no longer rare disruptions. Hurricanes, floods, wildfires, hailstorms, and severe convective storms pose heightened risks of damage, displacement, and insurance claims — and often result in consequences to the insurance market well beyond the storm event, such as increased premiums, reduced coverage, or insurers leaving the market altogether. They are becoming more frequent, more intense, and more costly due to the impacts of climate change. This shift is increasing the physical exposure of properties across the country, especially in vulnerable regions. These events not only damage buildings and infrastructure but also trigger localized shortages of labor and materials, which drive up repair costs and delay recovery timelines. Some states, such as Iowa (tornadoes), California (wildfires), and Colorado (wildfires) have seen significant carrier exits due to large-scale events and increased risk exposure.

- **Flooding and storm surge (coastal and riverine):** Flooding is one of the most frequent and expensive hazards in the United States. As sea levels rise and rainfall intensifies, flood events are becoming deeper and more widespread, especially in urban and coastal areas. The cost of remediation, including mold removal and structural replacement, continues to climb, compounding the financial burden for property owners and insurers alike.

- **Hurricanes:** Stronger, rapidly intensifying, and changing storm tracks increase the exposure of coastal and near-coastal multifamily stock to structural damage, insurance claims, and demand-surge repair inflation. Carriers are expanding windstorm deductibles and applying tighter coverage limits.

- **Severe convective storms:** The paths of severe convective storms — including tornadoes, hail, and high wind events — are changing and expanding into regions previously considered low-risk, creating pricing volatility due to evolving catastrophe models and limited historical validation. These events contributed to over $40 billion in damages in 2020 alone, underscoring their growing impact on insurance markets.

- **Hailstorms:** Hailstorms are driving insurers to apply stricter deductibles — often per-building or percentage-of-value — and excluding cosmetic-only damage, especially in high-risk states like Texas (from 2012-2024, large hail occurred an average of 197 days per year, more than any other state).

- **Wildfire and smoke:** Fires are becoming larger and occurring under increasingly extreme weather conditions; half of the fires that cost $1 billion or more since 1980 have been in the past 10 years. Longer fire seasons and increased acreage burned raise the risk of direct structure loss, ember intrusion, and smoke-related damage to finishes, appliances, and HVAC systems. Wildfires also increase the pool of properties that insurers assess as high risk.

- **Extreme heat and drought:** Extreme heat accelerates roof degradation, raises cooling loads, can damage mechanical equipment, and increases the risk of electrical outages. Drought and heatwaves can increase the likelihood of wildfires. As the frequency and severity of extreme heat events intensify, markets will likely increasingly price in the risks posed by extreme heat events; carriers may deny claims if maintenance standards are not documented.

How Climate Increases Third-Party Exposure

In addition to property claims stemming from physical damage caused by climate events, changing climate conditions also create potential claims from third parties.

- **Tenant health and habitability claims:** Increased mold, heat exposure, or failures of HVAC and hot-water systems during and after climate events create elevated risk of tenant claims and legal actions tied to negligent maintenance or failure to provide safe housing.
- **Negligence and duty of care under evolving standards:** Building owners and managers face rising expectations to foresee and mitigate climate risks; failure to meet updated codes or industry standards may increase liability exposure.
- **Disclosure and fiduciary risk:** Lenders, investors, or tenants may assert claims if material climate hazards or insurance costs were not disclosed in transactional documents.
- **Regulatory transition risk**: New retrofit mandates, evacuation or zoning rules, or stricter habitability statutes create potential for compliance-related liabilities and additional operating costs.

Additional Challenges for Affordable Housing

Gaps in federal and state safety net programs

Multifamily owners often rely on residents' ability to pay rent, but many federal and state safety net programs do not fully cover housing costs for the lowest-income households. Limited funding for rental assistance means that not every eligible family receives support, creating instability for both residents and property operators. When residents face income loss, illness, or other financial shocks without a strong safety net, owners are left with higher arrears and operating risks (including deferred maintenance), which in turn makes insurance carriers view these properties as riskier investments.

Insurance "redlining" of subsidized properties

Anecdotal evidence from a number of providers across the country indicate that affordable housing properties, particularly those subsidized by public programs like Section 8, are sometimes denied coverage by insurance carriers. Some insurers increase premiums or decline coverage altogether because they perceive these properties as higher risk, even when there is no data to support that assumption. This practice, sometimes described as "insurance redlining," reduces coverage options for owners, drives up costs, and further limits the pool of insurers willing to work with affordable housing.

Usage of crime scores

In some markets, insurers rely on crime scores tied to ZIP codes or neighborhoods rather than property-specific safety data. These scores often exaggerate risk in communities with higher poverty rates, regardless of the actual conditions at a particular development. For affordable housing providers, this approach results in higher premiums or exclusions from coverage, which unfairly penalizes both residents and owners based on neighborhood characteristics rather than property management quality. A 2022 Urban Institute study found that "crime score" tools used by insurers were 70% correlated with income levels in an area, not actual property-specific incidents.

Perceived risks associated with permanent supportive housing

Permanent supportive housing, which combines deeply affordable homes with on-site services, can be especially difficult to insure. Some carriers assume these developments are more likely to experience claims because they serve residents with histories of homelessness, mental health needs, or other challenges. While providers often put in place robust supports that reduce risk, insurers' assumptions translate into higher costs or narrower coverage. This perception creates barriers to scaling supportive housing models, even though they are proven to stabilize households and reduce public costs.

Tort law and "nuclear" jury verdicts/payouts

The broader legal environment also affects insurance for multifamily properties. In many states, changes in tort law and the rise of third-party litigation funding have contributed to extremely large jury awards, sometimes referred to as "nuclear verdicts." Even when affordable housing owners have strong property management practices, the risk of a single large lawsuit award pushes insurers to increase premiums and narrow coverage. This dynamic raises costs across the board and makes it harder for nonprofit and mission-driven developers to maintain affordable housing at scale.

Impact on Operating Budgets, Reserves, and Project Feasibility

Rising insurance premiums and shrinking coverage have become one of the most pressing threats to the financial stability of multifamily affordable housing. Over the past several years, owner/operators have faced double-digit percentage annual increases in premiums at the same time carriers have reduced coverage, raised deductibles, and introduced new exclusions. For properties financed with the Low-Income Housing Tax Credit (Housing Credit), these challenges are particularly acute because capped rents mean that owners cannot simply raise revenue to offset unexpected cost increases.

For many operators, higher premiums are forcing difficult trade-offs. Net operating income is squeezed, and in some cases debt service coverage ratios dip below lender requirements, creating compliance risks. Owners may defer maintenance, scale back resident services, or postpone needed upgrades simply to balance their budgets. After disasters, higher deductibles and coverage gaps delay repairs, leaving residents in unstable conditions longer. Some operators have even ceased providing amenities or deferred energy-efficiency retrofits because the resources to support them are being redirected to cover insurance costs.

The impacts extend beyond property operations. Development and preservation pipelines are increasingly jeopardized as *pro formas* no longer "pencil out." In high-risk areas, such as coastal regions vulnerable to hurricanes, wildfire-prone zones, and areas facing severe convective storms, developers are hesitant to move forward, reducing affordable housing supply in the very regions where need is greatest. Lenders and investors, for their part, are tightening insurance requirements, demanding broader coverage or higher limits, thereby further increasing costs and disrupting financing structures.

Several structural factors drive these challenges. Climate change is fueling more severe and frequent extreme weather events, while litigation financing and large jury awards are raising liability costs. Insurers are also employing practices such as using drones or remote imaging to downgrade property quality without on-site inspections, resulting in non-renewals or higher premiums. At the same time, technological and behavioral changes — like the spread of battery-powered devices, e-bikes, and electric vehicles — introduce new fire risks that are not always factored into resident education or property management practices.

To respond, many owners and operators are experimenting with resilience investments, including hardening roofs, improving drainage, creating defensible space in wildfire zones, and upgrading building systems to withstand shocks. Others are exploring higher deductibles or joining group purchase programs to spread risk. Larger organizations are piloting captives or parametric insurance products, though these remain out of reach for smaller owner/operators.

From a policy perspective, best practices must go beyond the property level. Policymakers have an opportunity to create incentives for mitigation and reward owners who reduce risk through resilience upgrades. Aligning state Housing Finance Agency requirements with insurance incentives could unlock meaningful savings for Housing Credit and other affordable housing properties. Federal and state governments should also consider backstop mechanisms — such as public reinsurance or catastrophe funds — to stabilize markets in regions where carriers are exiting. Just as important is standardizing insurance requirements across lenders and Housing Credit allocating agencies, which would help reduce the complexity and cost of compliance.

Finally, data transparency is critical. Better information on loss experience and the impact of mitigation strategies could help insurers more accurately price risk and ensure that affordable housing providers see premium reductions when they invest in resilience. Without such transparency, operators remain stuck in a cycle of escalating costs with few tools to regain control.

In short, the crisis in property insurance is not just a line-item issue — it is reshaping the landscape of affordable housing development and preservation. Addressing it requires a combination of owner/operator best practices, policy solutions, and market reforms. By acting on all three fronts, the affordable housing sector can help ensure that rising insurance costs do not derail progress toward meeting the nation's housing needs.

Practitioner Toolkit

Enterprise®

Practitioner Toolkit

Risk Management

Comprehensive Risk Assessment Tools

Every affordable housing operator, regardless of size, should conduct regular, systematic risk assessments to identify potential sources of loss and evaluate the effectiveness of current risk management practices. These assessments should cover property risks including fire, water damage, wind, hail, and earthquake; liability risks including slip-and-fall accidents, security incidents, and professional liability exposures; and operational risks including business interruption, cyber threats, and regulatory compliance failures.

The risk assessment process should involve physical inspections of all properties, review of historical loss experience and industry benchmarks, evaluation of current insurance coverage and risk management practices, identification of emerging risks and changing exposures, and development of prioritized action plans for risk-reduction investments. Operators should update this assessment annually and whenever significant changes occur in their portfolio or business practices.

Risk assessment tools should include standardized inspection checklists that ensure consistent evaluation across all properties, risk-scoring methodologies that allow objective comparison of different exposures, cost-benefit analysis frameworks for evaluating risk-reduction investments, and benchmarking data that allows comparison with industry standards and best practices.

Understanding Your Risk Profile

Affordable housing operators must recognize that insurers often perceive their properties as higher-risk than market-rate housing, regardless of actual loss experience. This perception stems from several factors: the assumption that affordable housing properties are less well-maintained, concerns about tenant demographics and potential liability exposures, and unfamiliarity with the regulatory frameworks governing affordable housing operations. Operators can combat these perceptions through proactive communication of their risk management practices, documentation of property improvements and maintenance programs, and education of underwriters about the realities of professional affordable housing management.

The quality and completeness of information provided to insurers directly impacts pricing and coverage availability. Properties with documented maintenance programs, recent system upgrades, and comprehensive safety protocols consistently receive better terms than those with incomplete or outdated information. One reported misconception among underwriters is that affordable housing properties are inherently riskier. While there are a number of factors involved, savings are often subjective and vary from deal to deal and carrier to carrier. Operators who demonstrate professional management standards and proactive risk mitigation can often secure coverage comparable to market-rate properties. In addition, placing insurance with standard insurance carriers instead of the excess and surplus market, which is for insurance placements declined by standard insurers, may result in dramatically different rates.

Risk Management Integration

The establishment of a formal risk management function represents one of the most effective investments an affordable housing operator can make to improve insurability and reduce costs. This function, whether housed within a single individual for smaller operators or a dedicated department for larger organizations, serves as the central coordination point for all risk-related activities across the enterprise.

A comprehensive risk management function includes risk evaluation and assessment, loss control and prevention programs, insurance procurement and management, claims oversight and resolution, compliance monitoring across all regulatory requirements, and vendor management and contract review. For smaller operators, many of these functions can be outsourced or shared through industry associations, but the coordination and oversight responsibility should remain centralized to ensure consistency and effectiveness.

The risk management process involves identifying potential sources of loss across property, liability, and operational domains; analyzing the frequency and severity of these risks; evaluating cost-effective mitigation strategies; implementing chosen risk-control measures; and monitoring results to ensure effectiveness. This systematic approach demonstrates to insurers that the operator takes risk management seriously and is committed to loss prevention, which typically translates into better coverage terms and pricing. Documenting these mitigation and loss-prevention measures over time can help providers demonstrate reduced risk to insurers and strengthen the case for lower premiums.

Scale-Appropriate Solutions

Small Operators (1-10 properties)

Smaller affordable housing operators face unique challenges in the current insurance market. They often lack the resources to establish dedicated risk management departments or hire specialized consultants, yet they must compete with larger, more sophisticated operators for limited insurance capacity. Success for smaller operators requires focusing on fundamental risk management practices while leveraging shared resources and industry expertise.

Essential practices for smaller operators include maintaining accurate property data and documentation, implementing basic safety and security measures such as adequate exterior lighting and controlled access systems, establishing relationships with brokers who specialize in affordable housing, participating in industry associations to share resources and best practices, and considering pooled insurance arrangements that provide access to group purchasing power.

Fire suppression systems deserve particular attention, as their presence or absence significantly impacts both liability and property insurance pricing. Even simple measures such as ensuring that smoke detectors work, installing fire extinguishers in appropriate locations, and maintaining clear egress paths can demonstrate commitment to safety and potentially reduce premiums. For properties with commercial kitchens or common areas, automatic suppression systems above cooking surfaces represent one of the most cost-effective risk reduction investments available.

Small operators should also focus on vendor management and contract review, ensuring that contractors, maintenance providers, and service vendors carry appropriate insurance and provide proper certificates of insurance. While smaller operators may not have in-house legal counsel to review every contract, industry standard templates for insurance requirements and indemnification provisions can provide essential protection without requiring extensive legal review.

Medium-Sized Operators (11-50 properties)

Operators of this size have more resources to invest in sophisticated risk management practices but not enough for a dedicated full-time risk management staff. These operators often benefit from a hybrid approach combining internal coordination with external expertise and shared resources.

Key strategies for medium-sized operators include designating a senior staff member as the risk management coordinator, even if this is not their full-time responsibility; implementing systematic property inspection and maintenance programs; establishing formal vendor management and contract review processes; investing in property improvements that demonstrate commitment to risk reduction; and exploring group purchasing arrangements or pooled insurance programs that provide economies of scale.

Technological solutions become more cost-effective at this scale, including property management software that tracks maintenance schedules and work orders; claims management systems that identify trends and facilitate reporting; and document management systems that maintain insurance policies, certificates, and compliance documentation in easily accessible formats.

Medium-sized operators should also consider implementing formal safety training programs for staff, emergency response procedures for each property, and systematic tenant communication about safety procedures and expectations. These programs not only reduce actual risk but also demonstrate to insurers that the operator takes safety seriously and is committed to loss prevention.

Large Operators (50+ properties)

Large affordable housing operators have the resources and scale to implement sophisticated risk management practices that can significantly impact their insurance costs and coverage availability. These operators should establish dedicated risk management departments with professional staff, implement enterprise-wide risk management systems and protocols, and explore alternative risk financing mechanisms such as captive insurance companies or large deductible programs.

The risk management function for large operators should include dedicated staff for claims management, loss control and safety engineering, insurance procurement and vendor management, and compliance monitoring across all jurisdictions where the operator does business. This scale also justifies investment in sophisticated technology solutions, including integrated property management and risk management systems, predictive analytics to identify emerging risks, and comprehensive reporting systems that provide management with real-time visibility into risk exposures and insurance program performance.

Large operators are also candidates for alternative risk-financing mechanisms that can provide significant cost savings and improved coverage. Self-insured retentions, where the operator retains responsibility for smaller claims while purchasing insurance for larger losses, can reduce premium costs while providing greater control over claims handling. Large deductible programs offer similar benefits while maintaining traditional insurance structures that satisfy lender requirements.

Captive insurance companies represent a sophisticated alternative risk financing mechanism available to large operators. These structures allow operators to retain underwriting profits, access reinsurance markets directly, and tailor coverage to their specific needs. While captives require significant capital investment and ongoing management costs, they can provide substantial long-term benefits for operators with sufficient scale and risk management sophistication. While they offer a cost savings opportunity, captives are also very complex and can be challenging to launch and scale, as discussed below.

Insurance Purchasing Approaches

Cost Reduction Strategies

Optimizing insurance program structure and costs requires systematic evaluation of coverage needs, market conditions, and alternative risk-financing options. This process should begin with a comprehensive review of current coverage, including policy limits, deductibles, and exclusions; analysis of historical claims experience and identification of coverage gaps; evaluation of current broker performance and market relationships; and assessment of alternative program structures that might provide better coverage or lower costs.

The insurance procurement process should involve preparing comprehensive submissions that highlight positive risk characteristics, obtaining quotes from multiple insurers to ensure competitive pricing, negotiating policy terms and conditions to achieve optimal coverage, and implementing systematic policy review processes to ensure accuracy and completeness. This process requires detailed documentation of property characteristics, risk management practices, and historical loss experience.

Operators should maintain comprehensive insurance program documentation, including current policies and endorsements, certificates of insurance for all vendors and contractors, claims reports and loss runs from all carriers, and documentation of compliance with lender and investor insurance requirements. This documentation should be easily accessible and regularly updated to ensure accuracy and completeness.

Providers that invest in mitigation measures, such as improved roofing, drainage, and fire protection, should work with brokers to ensure these upgrades are clearly documented and communicated to underwriters. Establishing transparent reporting of completed resilience improvements can help demonstrate reduced risk and make a stronger case for premium credits or better coverage terms. Over time, consistent data on loss prevention should position affordable housing portfolios to negotiate recognition for mitigation investments.

Insurance Pools or “Captives” for Affordable Housing

The establishment of insurance pools, also known as “captives,” allows multifamily housing owners to pool their risk and purchasing power in order to gain more control over pricing, underwriting, loss control, and claims handling, while also benefiting from improved data transparency and long-term cost stability. Captives are alternative risk-financing structures that can allow their members to collectively insure risks that may be prohibitively expensive or poorly covered in the traditional insurance market. Captives are broadly used in the insurance market for large businesses, but entry can be cost prohibitive for smaller businesses due to the initial capital investment.

Pricing for captives is based on the loss experience of their members and can result in dividends depending on performance. In addition, captives maintain requirements for entry which can include loss history, building characteristics, inspection results, and risk management. As such, the creation of a new captive that serves smaller owners may require public or philanthropic support or low-cost seed capital to be financially viable before premiums and profits fully capitalize the captive.

To support the formation and capitalization of the captive or risk retention group (RRG), grant funding from state housing agencies or federal programs could be pursued. Affordable housing providers could seek public funding specifically earmarked for housing preservation, risk mitigation, or operational sustainability — areas where this initiative clearly aligns. For example, funds from the Department of Housing and Urban Development (HUD), state- or local-level housing trust funds, or the Federal Home Loan Banks' voluntary Affordable Housing Program contributions could be leveraged to provide initial surplus capital or help offset setup costs. This public-private model has precedent: Industries such as hospitals, religious organizations, and educational institutions have successfully formed captives to stabilize liability coverage and reduce dependency on volatile commercial markets. In these cases, captives were often established with grant or foundation support, and their financial structures were designed to meet the rigorous solvency and regulatory requirements of large stakeholders. An important caveat is that most federal housing programs are designed for production, rehabilitation, and direct resident benefit, so these activities may be seen as indirect and require significant justification.

For affordable housing providers, it is critical that the captive or RRG be built to meet or exceed Fannie Mae and Freddie Mac's (collectively, the Government-Sponsored Enterprises, or GSEs) insurance requirements, ensuring continued access to agency financing and compliance with mortgage covenants. Proper actuarial modeling, third-party oversight, and reinsurance backing would ensure the entity's long-term financial soundness and market credibility. For GSEs and property owners, every dollar of reduced premiums or additional reserves is a dollar available for paying the mortgage or maintaining the property. Given this alignment of interests, the GSEs should be encouraged to provide evaluations of catastrophic risk when owners and underwriters have widely different assessments of catastrophic risk.

A pooled insurance program could also be explored as an alternative to forming a captive or risk retention group. In this model, a group of affordable housing operators would band together to purchase coverage collectively, sharing risk within the group while ceding excess risk to a reinsurer. This structure functions similarly to a captive in terms of risk-sharing and group negotiating power, but without requiring the same regulatory or capital commitments. Pools are particularly well-suited to nonprofit and governmental organizations, because the traditional tax advantages of owning a captive do not apply. Instead of generating investment income or tax savings, the benefits of a pool include rate stability, tailored coverage, group oversight, and reduced administrative costs. Many existing public-sector pools — serving municipalities, school districts, or nonprofit networks — have proven highly effective at maintaining coverage access when the commercial market becomes unaffordable or limited. A housing-focused pool could operate under a joint governance model, offer loss-control support, and help its members reduce claims experience over time, improving insurability and making it easier to negotiate terms with reinsurers or excess carriers. This flexible structure would give affordable housing providers a powerful tool to collaboratively manage risk while maintaining the financial and regulatory alignment needed for agency-backed financing.

It is important to note that captives, while promising, come with their own challenges. The more risk a captive can pool, the greater the potential for cost savings. That means that captives often require significant participation from a large number of owners in order to achieve premium reductions. Convincing owners to leave the traditional insurance market and join a newly created risk structure that has not been tested can slow down the enrollment of providers and, therefore, the promise of cost reductions. The organizers of the captive may have a tough sell, promising savings to providers but only if enough of them participate. What's more, once in the captive, claims from one housing provider have the potential to impact pricing on others. If one or two providers experience catastrophic losses, it can impact pricing for all providers, including those who may not have submitted claims or have any deficiencies in their portfolios. This can create incentives for providers to self-insure smaller losses so as not to impact pricing for the larger group.

A captive requires ongoing management, particularly from a risk mitigation perspective. When an owner's risks are coupled with other owners' portfolios, they all become accountable to one another in a way that requires real oversight and pressure. More information can be found in the policy toolkit.

Tenant Legal Liability Programs

Tenant legal liability (TLL) programs can be provided in a captive or standard guaranteed cost program. This coverage applies to all units within participating properties and is designed to protect property owners against damage caused by tenants, such as kitchen fires, water damage, or other avoidable property losses. TLL programs are often structured to provide coverage limits of $5,000-$50,000 per unit. As such, they are useful in covering smaller claims that fall below a property's standard deductible. However, there may be redundancies with existing property or liability coverage, depending on the owner's deductibles.

As a substitute to requiring renters' insurance, which is difficult to enforce and inconsistent in practice, this force-placed program can protect the lender and owner. However, affordable housing regulations may state that premiums cannot be passed on to tenants. In those cases, owners can expect to pay premiums and may not pass on those costs to tenants.

If offered, the captive would retain smaller claims and purchase reinsurance as a protection when incurred losses reach an aggregate amount. This structure allows the program to be self-sustaining and provide meaningful protection to property owners. Where limitations in an operating budget may delay refurbishing or repairing a unit, this coverage can help turn the unit more quickly after damage.

Pricing for the TLL program could be established at approximately $15-$20 per unit per month, rolled into operating budgets or covered by modest fees charged to tenants similar to utility billing or amenity fees (where allowed). Because the risk is distributed across a wide pool of units, losses become more predictable and manageable. If established within a captive, over time, the captive can use accumulated data to refine underwriting, set appropriate deductibles, and potentially return surplus funds to participants.

By establishing this targeted form of coverage within a captive structure, affordable housing providers can take a proactive step toward stabilizing one of their most volatile operating costs. Not only does it provide an immediate financial buffer against unit-level losses, it could lay the groundwork for expanding into other types of coverage — such as general liability, excess liability, or property insurance — under the same captive model. In the long run, this approach can foster greater insurance market competition, reduce dependence on volatile commercial markets, and give affordable housing providers the autonomy they need to manage risk more strategically.

TLL programs may have redundancy with existing property or liability coverage.

Parametric Insurance

Parametric insurance is a newer alternative risk solution that may provide opportunity for implementation with proper education. These solutions may be used for floods, earthquakes, wildfires, and named windstorms. This is a type of insurance coverage that pays a predetermined amount when a specific event or measurable trigger occurs, but the payout is not automatically equal to the policy limit. The insured still files a claim, although the process is often faster and simpler than traditional claims. Unlike traditional indemnity insurance, which requires claims adjusters to assess physical damage and determine the value of loss, insureds often submit their inventory and expect their reimbursement. Parametric insurance relies on predefined parameters — such as wind speed, amount of rainfall, earthquake magnitude, or temperature thresholds — to automatically trigger a payout. For example, a policy might be structured to pay up to $250,000 if wind speeds reach sustained winds of 50 miles an hour measured by the nearest wind meter to their property. Because the payout is triggered by the event rather than damage, once a claim is filed, the process is often quicker and may not require an adjuster.

This structure offers several benefits, including faster claims payouts, greater transparency, and reduced administrative burden. Because a claim can sometimes be processed without an adjuster, the payout process is designed to be quick and efficient. It's particularly useful for risks that are difficult to insure traditionally or for organizations seeking to cover indirect costs like business interruption, emergency repairs, or temporary housing. In the affordable housing context, parametric insurance could complement traditional policies. While the payout is not automatic, the claim process provides liquidity faster than traditional indemnity insurance, helping property owners respond and recover more quickly. While it may not fully replace traditional property insurance, parametric coverage can be an effective tool in a broader risk management strategy, especially when used to address high-severity, low-frequency events. Currently, this solution is peril-specific and not widely used.

Plus-Aggregate Deductibles

A plus-aggregate deductible is an insurance structure that combines both a per-occurrence deductible and an aggregate deductible cap across a portfolio about properties. Under this model, the insured pays a deductible for each individual claim (the “plus”), and the insurer agrees to a maximum out-of-pocket amount for all deductibles combined during the policy period (the “aggregate”). This means that once the insured reaches the aggregate threshold — typically across multiple events or properties — the insurer begins covering subsequent losses without requiring additional deductibles. This structure is attractive to large real estate portfolios or risk-sensitive organizations seeking to better manage predictable losses across multiple locations. Because the insurer caps total deductible exposure, premiums are typically higher than standard high-deductible policies. For affordable housing providers, a plus-aggregate deductible can be a highly strategic solution in today’s challenging insurance market, where premiums are rising sharply and coverage options are shrinking. Many affordable housing operators are being forced to choose between unaffordable premiums for low deductibles or prohibitively high deductibles that expose them to significant financial risk. The plus-aggregate structure provides a way to limit total deductible exposure across multiple properties, giving organizations predictability in their out-of-pocket costs even if claims are frequent. This is particularly useful for organizations managing multiple properties, where small-to-medium claims across different sites can accumulate rapidly. By reducing the unpredictability of out-of-pocket expenses and allowing more budget certainty, this approach helps stabilize finances, making insurance more sustainable and accessible without sacrificing core protections. Organizations should review claims history across their portfolio to determine whether this structure is appropriate based on typical claims activity.

Financial Planning Tools

Agent/Broker Partners — Improved Data and Communication to Underwriters

For affordable housing providers, selecting the right insurance partners is a critical business decision that extends beyond personal relationships or convenience. While trust and familiarity are valuable, the unique risks, regulatory frameworks, and financing structures in the affordable housing sector require insurance brokers and agents who specialize in this market. Such professionals bring a deep understanding of compliance with relevant federal programs like the Housing Credit, HUD’s, and USDA Rural Development, and can align coverage strategies with the specific exposures that affordable housing portfolios face. Working with specialists can also help providers navigate complex risk mitigation requirements, lender mandates, and claims processes — ultimately protecting both residents and financial assets more effectively.

In today’s insurance environment, where carriers are increasingly selective and pricing is driven by risk profile differentiation, having accurate, comprehensive data is more important than ever. Affordable housing providers must maintain open and detailed communication with their brokers, who in turn must be able to present underwriters with a complete, data-driven picture of the portfolio. This includes occupancy rates, property condition, historical loss runs, and risk management protocols. A well-documented and clearly articulated risk profile can set a property or portfolio apart in a competitive insurance market, giving underwriters the confidence they need to offer more favorable pricing and terms.

Timely communications about all property improvements and upgrades is equally important. Whether it's a new roof, upgraded electrical systems, or enhanced security features, these capital improvements directly reduce risk and should be clearly conveyed to underwriters. Failure to do so not only undervalues the investment made in the property, but also can lead to missed opportunities for premium reductions or better terms. By proactively documenting and sharing this information, affordable housing providers demonstrate a commitment to asset stewardship and risk management — two qualities that resonate strongly with insurers and can lead to long-term financial savings.

It may seem simple, but one of the most effective ways to improve pricing and market access immediately is by working with the correct partner who presents your risk in the best light to the best insurance company partners. A good broker or agent can also recommend the best improvement opportunities to the insured (i.e., where you might get the most return on investment in an underwriter's eyes). Affordable housing networks or large providers might be able to vet a list of the top brokers/agents in each market and recommend these insurance partners to peers in the field. Inclusion on the list would ensure that the broker is an expert in the field and potentially come with pre-negotiated compensation models and broker service agreements. It may also require certain continuing education for brokers and underwriters on various affordable housing programs, as well as building codes, fortifications, and best-in-class habitational requirements.

Incorporating Insurance Cost Escalations into Pro Formas

In today's insurance environment, accurate and comprehensive data is more critical than ever. Insurers are increasingly selective about which risks they choose to underwrite and often decline or prohibitively price properties with incomplete or inaccurate information. The Statement of Values — the document that lists each property's location, construction details, and insured value — must be meticulously maintained and updated regularly to reflect current replacement costs, recent improvements, and accurate building characteristics.

Operators should maintain detailed records of all capital improvements, particularly those affecting key building systems such as roofing, electrical, HVAC, and plumbing. Underwriters pay close attention to the age and condition of these systems, often applying rate penalties of 25% or more for buildings where systems have not been updated within 25 years. Conversely, clear documentation of recent upgrades can result in premium credits and improved coverage terms.

The presentation of this information to insurance markets is as important as the data itself. Working with brokers who specialize in affordable housing and understand how to present risks effectively to underwriters can make the difference between coverage approval and decline. These specialized intermediaries understand which insurers are most receptive to affordable housing risks and how to structure submissions to highlight positive risk characteristics while addressing potential concerns proactively.

EXHIBIT A: **Observation Checklist**

Below is a checklist of observations that typically reflect an effective and efficient program:

A. Property

- Named insureds and additional named insureds — the existence of a list, the quality, and accuracy, by policy
- Statement of Values (SOV) — quantity and quality of data — values, and Construction, Occupancy, Protection, and Exposure (COPE) data
- Per location limits
- Program limits
- Flood coverage, full policy limits, sub-limits, separate NFIP
- Earthquake, earth movement, natural or man-made
- Water damage definitions, deductibles
- Joint loss agreement
- Valuation coinsurance, replacement cost, actual value, agreed amount
- Insure to value and location limits — blanket limit or scheduled limits
- Blanket limit, per location limit? Loss limit? Compared to the SOV
- Building coverage for leased locations/ owned locations compared to property management agreements
- Ownership agreements
- Wind/hail deductibles
- Sprinkler function limitations
- Mold/fungus sub-limits
- Roof age limitations
- Cosmetic damage limitations
- Named windstorm coverage, deductibles, exposure
- Business income coverage including extra expense, worksheets
- Course of construction coverage, builders' risk
- Ordinance or law coverage
- Equipment breakdown
- Terrorism, including certified and non-certified
- Pricing matrix for adding locations
- Deductibles, deductible buydown structures
- Land and water contaminant or pollutant cleanup
- Protective safeguards

B. Casualty

- Named insureds and additional named insureds and persons covered — the existence of a list, the quality, and accuracy, by policy, broad form named insureds
- Abuse and molestation coverage, sub-limit, defense, coverage, age restrictions
- Assault and battery coverage, sub-limit, defense
- Firearms limitations
- Contractor, subcontractor limit requirements
- Step-up deductibles re: vendors and service providers
- Vendor, service provider insurance requirements
- Designated premises limitations
- Security service requirements
- Lender requirements — valuation, deductibles
- Hired and non-owned auto
- Workers' compensation
- Habitability limitations
- Liquor liability, host, full, assault, and battery coverage
- Cancellation notice of 90 days
- Primary, non-contributory coverage
- Excess/sharing language
- Auditability
- Special events included, separate, limitations
- Retentions — each occurrence, structured program
- Premium rated by exposure or composite
- Contingent locations
- Bodily injury redefined
- Per location aggregate
- Medical payments
- Snowplow operations
- Coverage for leased employees
- Mold coverage
- Fungi or bacteria exclusion
- Schedule of locations
- Knowledge and notice — scheduled position
- Hospitality services coverage
- Law enforcement coverage
- Expected or intended injury exclusion amended reasonable force
- Construction exclusion
- Pollution exclusions — herbicides, pesticides, swimming pool chemicals
- Temporary employees
- Waiver of subrogation
- Cross suits

C. Umbrella/excess coverage

- Schedule of underlying
- Limitations in addition to primary
- Contingent locations — included, scheduled, excess

D. Auto

- Owned/leased vehicles
- Drive other car coverage
- Hired/non-owned
- Passenger vans
- Golf carts/slow-moving vehicles
- Uninsured motorists/underinsured motorists' coverage
- Physical damage
- Hired physical damage
- Motor Vehicle Record (MVR) requirements

E. Workers' compensation

F. Management liability/other coverages

- Directors' and officers' coverage
  - Covered named insureds, additional named insureds
- Employment Practices Liability Insurance (EPLI)
  - Third-party coverage
  - Wage and hour sub-limit for defense
- Fiduciary liability
  - Settlors' coverage
- Crime coverage
  - Third party
  - Wire transfer fraud
  - Invoice manipulation
  - Social engineering sub-limit
- Cyber
  - Social engineering sub-limit
  - Business interruption
- Professional liability
  - Bodily injury and physical damage sub-limit
  - Deductibles
- Other coverages
  - Foreign liability
  - Kidnap and ransom/special accident
  - Pollution

G. Broker compensation

- Commission or fee? Agent/broker compensation disclosure, including intermediaries, broker service agreements (**with standard of care, termination, and compensation disclosure requirements**, among other things). Is there a signed services agreement in place?

H. Contract review

- Who is looking at the following to ensure compliance with requirements and best in class risk transfer where possible?
  - Vendor/supplier agreements
  - Management agreements
  - Loan agreements
  - Leases
- Is review of contracts to respond to method's ability to comply, or to draft language that effectively transfers risk to other parties?

I. Partner programs

- Review of policies placed by partners for gaps/ overlaps with method placed program?
- Who is responsible in the Post Model Adjustments (PMA) to insure the property? Building owner? Property manager?
- Who is responsible for the property deductible?
- Who has primary general liability coverage? What are the full liability limits?
- Is there a liability deductible? If so, who is responsible for paying the deductible in the event of a loss? Defense costs? Indemnity costs?
- Is the building owner listed as an additional insured? Additional named insured?
- If the coverage is in place with an investor's program, do they list a method entity as an additional insured? Additional named insured?
- Need to review insurance requirements regarding various other details.
- In reviewing the coverage, are there any critical exclusions? Assault and battery? Firearms? Abuse? Habitability?
- What are the excess limits? How do they follow form, or not?
- How is our business income insured?
- Is the current insurance program shared with other properties, or standalone for this location?
- Lender insurance requirements?

J. Alternative risk transfers

- Have methods for alternative risk transfer, like captives and Risk Retention Groups (RRGs), been considered?

K. Marketing

- When is the last time the entire program was marketed?
- When is the last time the broker was evaluated?

L. Renewal process

- How long does it take to receive copies of binders and policies?
- Who, internally, is verifying binders/policies to verify they are issued as marketed?
- Are there any major issues/exclusions in current policies, i.e., protective safeguards or habitability exclusions?
- Who is collecting, organizing, and retaining insurance applications?
  - Carriers/partners
  - Admitted vs. non-admitted
  - MGAs/wholesalers
- Any reductions in commercially available limits or increases in deductibles recently due to price or availability of coverage?

M. Claims

- Claim trending
- What are our major claims by type?

N. Risk management

- Who is ensuring compliance, providing training, documenting with applicable laws/ regulations relating to:
  - Pool safety rules
  - Liquor liability
  - Legionella
  - Sprinkler maintenance
  - ADA
  - Human trafficking
- What is the workers' compensation experience modification rate (EMR), and does it indicate a need for corrective action?
- Does anyone do monthly safety meetings or regular safety trainings?
- Emergency action plan?
- Is there an accurate list of named insureds, and has it been verified that they are all named on the correct policies, including partner policies?
- What are the security protocols?
- Is there a complete SOV with all relevant information?

EXHIBIT B: **Risk Management Function**

Company

2025 Risk Management
Insurance Program Responsibilities

	SCOPE OF SERVICES	Company	Risk Mgt	Broker
A.	**INSURANCE PLACEMENT SERVICES**			
1	Renewal exposoure data/documentation gathering with agencies	Company	Risk Mgt	
2	Ongoing review of renewal exposure information for reasonableness and accuracy; organize for submission to carrierrs	Company	Risk Mgt	Broker
3	Ongoing review of exposure information, updates, changes, corrections; organize for submission to carriers		Risk Mgt	Broker
4	Application -- completing first drafts	Company	Risk Mgt	
5	Application review and editing		Risk Mgt	
6	Renewal strategy, planning		Risk Mgt	Broker
7	Renewal strategey outline, timeline		Risk Mgt	Broker
8	Prepare submissions for underwriters		Risk Mgt	Broker
9	Marketing, obtaining quotes			Broker
10	Proposal preparation (broker summary of underwriting quotes)			Broker
11	Coverage, binding negotiations with insurers		Risk Mgt	Broker
12	Proposal review		Risk Mgt	Broker
13	Policy binding			Broker
14	Binder review		Risk Mgt	Broker
15	Policy review for accuracy and conformity to proposal, named insureds		Risk Mgt	Broker
16	Policy review – coverage scope		Risk Mgt	
B.	**ACCOUNT MANAGEMENT**			
1	Open items meetings	Company	Risk Mgt	Broker
2	Meetings	Company	Risk Mgt	
3	Administer policy premium billings			Broker
4	Premium allocations for agencies		Risk Mgt	
5	Process certificates of insurance, outgoing			Broker
6	Premium audits		Risk Mgt	Broker
7	Coverage summary, policy digest			Broker
8	Process endorsements			Broker
9	Follow-up with underwriters for changes, corrections			Broker
10	Issue auto id cards			Broker
11	Agency visits, tours	Company	Risk Mgt	Broker
C.	**CONTRACT REVIEW**			
1	Contract review and editing Company agreements Indemnity, insurance, subrogation, third-party over, limitation of liability, damage and destruction		Risk Mgt	

CRAIN, LANGNER & CO.

Company

2025 Risk Management
Insurance Program Responsibilities

	SCOPE OF SERVICES	Company	Risk Mgt	Broker
D.	**LOSSES and CLAIMS**			
1	Loss analysis – Property		Risk Mgt	
2	Loss reporting to insurer – Property			Broker
3	Claim analysis – Liability		Risk Mgt	
4	Claim reporting to insurers – Liability			Broker
5	Assist with loss settlement and claims negotiations		Risk Mgt	
6	Review and assist with claim rebuttals, coverage issues		Risk Mgt	
E.	**DATA ANALYTICS, PROGRAM STRATEGY**			
1	Historical program performance tracking TCOR		Risk Mgt	
2	Benchmarking coverages, limits, performance		Risk Mgt	Broker
3	Alternative risk financing analysis, large deductibles, self-insured retentions		Risk Mgt	
4	Insurance reserve guidelines review	Company	Risk Mgt	
5	Insurance reserve annual contribution, deposit review	Company	Risk Mgt	
6	New agency due diligence		Risk Mgt	Broker
7	Program structure review, analysis		Risk Mgt	
8	Loss exposure analysis, agency activities and operations	Company	Risk Mgt	Broker

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Risk Management Function

A. The need: Many operator employees correctly share the view that their entity does not have, but needs and would greatly benefit from, a dedicated Risk Management department. Risk management is cross-functional; should involve all operating units in an organized, centralized manner; and should ably demonstrate measurable value-added to the enterprise. How large a department is needed depends on the size of the organization.

B. Risk management function and role:

- **a. Risk evaluation** (identifying risks of loss)
- **b. Estimating loss** (frequency and severity)
- **c. Developing controls** to reduce, eliminate, or transfer risk (including safety policies, property engineering, and contractual risk transfer via insurance or otherwise)
- **d. Risk financing** (commercial insurance, self-financing, self-insured retentions, and alternative risk-transfer mechanisms such as captive insurance)
- **e. Providing a methodology to identify and analyze** the financial impact of loss to the owner, residents, employees, the public, and the environment
- **f. Examining the use of realistic and cost-effective opportunities** to balance retention programs, captive insurance, and other alternative risk-transfer techniques with commercial insurance
- **g. Preparing risk management and insurance budgets** and allocating claim costs and premiums to departments and divisions; reporting same to management
- **h. Providing for the establishment and maintenance of records/data,** including statements of value/locations, loss exposures, cost of risk, incurred cost allocation, insurance applications, binders, policies, risk transfer, certificate tracking, and claim and loss data
- **i. Designing, implementing, and monitoring all risk-transfer structure** mechanisms (commercial insurance, self-financing, captives, risk avoidance, etc.)
- **j. Assisting in the review of major contracts,** proposed acquisitions, divestitures, construction and rehabilitation projects, and/or new program activities for loss and insurance implications
- **k. Maintaining control over the claims process** to ensure that claims are being settled fairly, consistently, and in the best interest of the entity; negotiate "most-favored-nation" contracts with restoration vendors to ensure competitive pricing and priority response following property damage events

These matters are all conducted with the assistance, input, and oversight of an organization's leadership generally. A Risk Management Committee with representatives from various areas of the enterprise can be very helpful. It will take time for the risk management department to be proactive versus only reactive, typically within two years of putting the risk management department into place. To be sure, while organizational leadership may demonstrate meaningful buy-in for risk management, the function's overall effectiveness will also depend on training, commitment, and performance of employees at all levels. Operators should ultimately weave risk management into the general culture.

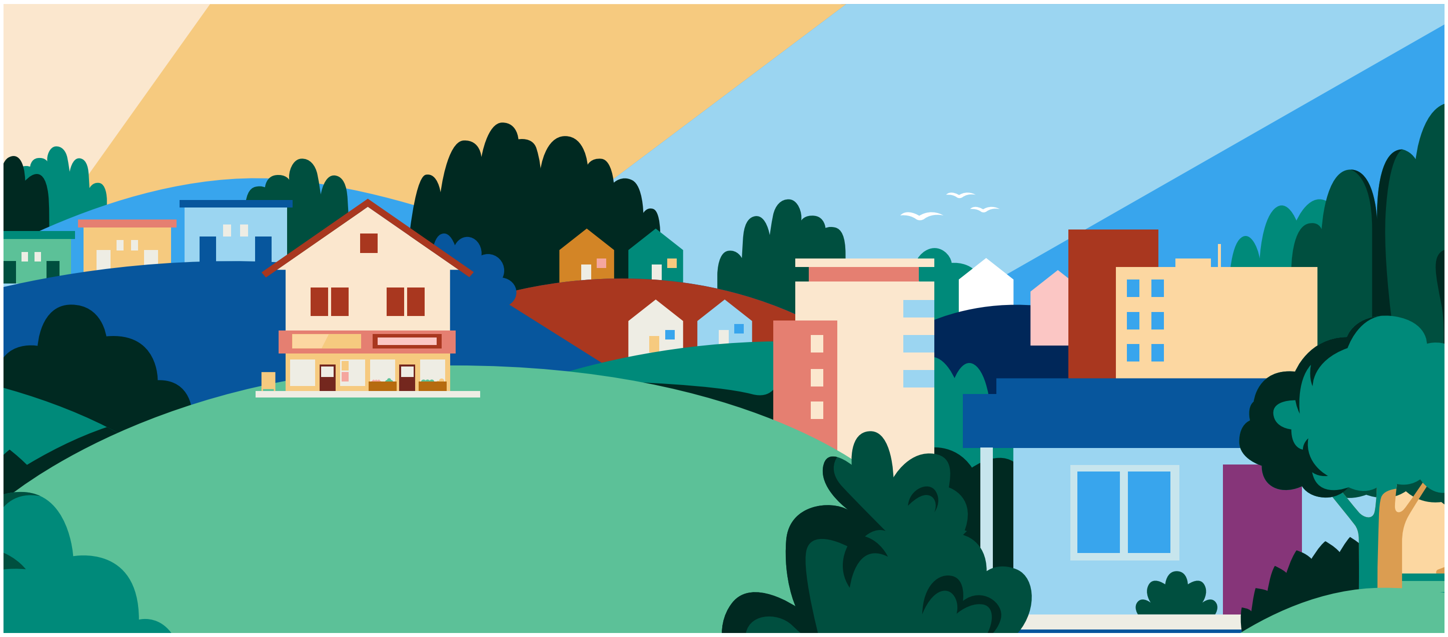
C. Options for the function or department

Different organizations might have various people within their organization interacting with the brokers in a piecemeal, inefficient fashion. Often, CFOs and in-house general counsel share responsibility for and handle much of the insurance policy placement, with some assistance. Other organizations may divide responsibilities as follows:

- Owner works directly with broker on various builders' risk policies and rehab project coverage needs
- VP of Operations receives the emergency calls when something has gone wrong
- COO works directly with broker with respect to insurance needs for acquired properties or builders' risk
- VP of Human Resources is directly involved in workers' compensation claims
- Another VP drafts the incident report; however, they do not get copied on claims when they are reported
- VP participates in noticing investor program of general liability claims for losses on an investor's property policy; however, the VP is not involved in the notice of the property manager general liability coverage

These and other such activities are not integrated and conducted through a risk manager or risk management department, and thus, the results are not tracked, measured, or reported to management on an aggregated, macro level. A consolidated risk management function will generate many opportunities for greater efficiencies, improved results, and reporting; significant fixed and variable cost savings; and superior risk treatment and risk transfer. Contrary to popular belief, risk management can operate to save corporate revenue and not operate as a cost center. The total time spent on risk management varies greatly depending on the organization.

Various brokers often provide services with respect to certain policies for which they oversee the placement. Brokers are generally paid either by fee or commission. A fee can reduce the total broker compensation by almost half compared to a standard commission basis. Brokers are principally utilized for program marketing and policy placement services.



D. Options for the Function or Department:

Organizations larger in size and sophistication typically adopt one of three models:

1. An internal team dedicated solely to risk management
2. A third-party consultant
3. A risk manager supported by an administrative professional and external resources (a consultant and the brokers)

Internal | **Outsourced** | **Risk Management and Support**

Relying on the broker to provide all insurance-related services is not recommended because brokers have to split loyalties between the client and the insurance company.

One potential opportunity would be to design, install, and implement a comprehensive risk management resource to support operators.

Legal | **Finance**

The vast majority of risk management functions/departments report to the organization's finance team with indirect and frequent ties to other company functions/departments, including executive and senior leadership and legal. Some entities will place the entire risk management operation into its own department except for workers' compensation, which is assigned to human resources. The entire risk management operation is more efficient when all aspects are in a single department, including workers' compensation. Workers' compensation financing is often a large part of the entity's total cost of risk and should be managed together with the other risk management techniques (commercial insurance, captives, self-insured retentions, waiver of subrogation, and contractual risk transfer). Human resources should be involved to a certain degree in employee training and claims handling; however, the purchase of the workers' compensation coverage and the use of related financing strategies should reside with risk management.

Most risk managers are charged with reporting to both officers and directors (and even owners) on a regular (annual, semi-annual, or monthly) basis. Among other things, such reporting includes enterprise cost of risk, loss exposure trending (internal and external), emerging risk updates, and program performance and projections (budgeting, structure, opportunities, and gaps). These responsibilities and touch points serve as a reminder that the risk management function almost universally involves confidential and/or sensitive information. It is incumbent upon risk management to know when and how to involve the legal team to preserve confidentiality privileges and reduce litigation risks. Risk management becomes an essential part of the organization's structure, processes, objectives, strategy, and activities. It places greater focus on creating value for the organization. It is essential to have a genuine commitment to the safety and security of employees, customers, and other stakeholders.

Recommendation:

The risk management function should report directly to finance, and periodically report to executive leadership and legal on a regular basis.

It will take some time to consider program options, then launch and implement risk management across the organization.

E. Risk management function and responsibilities:

The following outline can be used to begin designing and structuring a risk management function. It lists some, but not all, the common risk management tasks, duties, and undertakings.

1. **Risk Management Committees — one for corporate services and commercial combined and two subcommittees**

    a. Facilitate development of risk management mission statement

    b. Assist the Risk Management Committee with setting company-wide risk management objectives

    c. Manage committee membership, meetings, and reports to executive management

    d. Oversee risk management function/department

    e. Appoint people to each subcommittee

2. **Commercial Insurance Policy Program Management**
    a. Develop risk management and insurance structure design for renewal
        i. Review renewal outcomes
        ii. Review and provide Statement of Values with clean data
        iii. Review and provide applications for various policies
    b. Create and manage insurance policy renewal calendar and renewal strategy
    c. Request and review policies after renewal
    d. Inventory and track policies in a policy repository
    e. Collect and manage certificates of insurance for all vendors and investor insured properties

3. **Commercial Insurance Program/Provider Management**
    a. Insurance broker oversight
        i. Be sure options presented by broker align with company objectives
        ii. Implement and enforce broker services agreement, capacity, and role
        iii. Utilize broker for due diligence opportunities
        iv. Request underwriter meetings
    b. Claims — insurance carrier and third-party administrator oversight
        i. If claims are handled by a third-party and not the broker or insurance company, implement and enforce service agreement
        ii. For claims noticed to carriers, require claims updates quarterly with claims reviews semi-annually
        iii. For investor insured programs, request claim updates
    c. Third-party safety engineering oversight
        i. Determine scope of engagement of safety engineers from insurance company or third party
    d. Consultant oversight
        i. Implement service agreement with consultant for audit, expertise, and support purposes
        ii. Work with investor programs

4. **Claims Management**

    a. Schedule and attend claims review meetings with third-party providers

    b. Set claims reserves (retained losses)

    c. Coordinate defense counsel and investigator engagement

    d. Report to executive leadership and Risk Management Committee

5. **Loss Control and Safety Engineering**

    a. Track all loss prevention, loss control, and safety engineering efforts (by employees, brokers, and insurer employees)

    b. Prepare budgets and cost-benefit analyses to select recommendations to implement

    c. Manage projects to implement selected recommendations

    d. Review effectiveness of risk control measures (premium savings, reduction in Maximum Foreseeable Loss (MFL) estimates)

6. **Third-Party Contracts**

    a. Review and advise on key third-party contracts prior to agreeing to the insurance requirements

    b. Interface with legal team on contract management system, agreement compliance — insurance

    c. Establish template insurance and indemnity requirements

        i. Imposed on others

        ii. Imposed on company

7. **Third-Party Insurance Management**

    a. Collect and track certificates of insurance, additional insured endorsements, and certain insurance policies from third parties to enforce compliance with contracts in place

    b. Provide company certificates of insurance as requested

8. Business Continuity/Emergency Preparedness Planning

a. Create, update, and manage flood, earthquake, fire evacuation, tornado, and active shooter emergency response plans for all necessary locations, and be sure to:

   i. Roll-out training with the assistance of human resources

   ii. Document annual training

   iii. Review and assist with onboarding employees

   iv. Assist with new properties acquired, training in first 90 days

b. Assist with IT continuity and incident response planning as needed

c. Create, update, and manage business continuity plans for all locations to ensure minimal disruption to company operations post-event

d. Perform periodic updates and tabletop exercises to test plan effectiveness

9. Risk Analysis, Assessment, Communication, and Due Diligence

a. Stay current on relevant global, national, local, and industry-specific news to identify emerging and changing risks

b. Present regular high-level risk management updates and analysis to leadership

c. Communicate organizational risk strategies and appetite to middle and lower management

d. Conduct regular risk surveys of managers, employees, and leadership to capture operational, emerging strategic risks

e. Track total cost of risk for the overall program

f. Oversee all acquisition and divestiture activities, and conduct insurance/risk management due diligence for proposed acquisitions

10. Compliance

a. Track compliance with relevant standards affecting the organization (hospitality, cyber, data privacy, environmental, financial, general data protection regulations, OSHA, etc.)

b. Track and enforce employee compliance with required safety training

c. Interface and coordinate with human resources

11. Budgeting, Cost Allocation, and Reporting

a. Track year-over-year total cost of risk for company

b. Track insurance market conditions with support from broker and consultant

c. Prepare budget forecasts for chief financial officer

d. Plan strategically how to reduce the total cost of risk

e. Run cost allocations for placed policies

f. Obtain cost allocations from other investment partners for including in company total cost of risk (TCOR)

F. Committees:

- People identified to be part of the Risk Management Committees
- People identified to be part of the Safety Committees

EXHIBIT C: **Third-Party Relationships**

Many operators maintain a large, complicated set of contractual relationships with investors, lenders, residents, guests, vendors, subcontractors, design professionals, and other actors. This diversity gives rise to myriad loss and liability exposures, and the need for consistent, understandable risk allocation, insurance requirements, and compliance. For instance, reliance on a joint venture partner to secure property/project waivers of subrogation, action-over waivers, and commercial insurance should absolutely involve the review of the initial contracts and policy placements relative to the property/project, and annual submittals to verify compliance.

A. Related to Locations

1. Buildings owned by the company or its investors, insured by others, managed by others
2. Buildings not owned by the company or company investors, not insured by owner, managed by owner
3. Other investment relationships

B. Key Risk Concerns

1. Determine total property values at risk
2. General liability coverage/umbrella liability coverage — bodily injury and physical damage
    a. A fire could lead to scores of fatalities or severe injuries
    b. Without proper waiver language, owner could be responsible for the physical damage to the building
3. Professional liability coverage for certain vendors
4. Workers' compensation concerns
    a. Who is responsible for carrying workers' compensation?
    b. Third-party-over action concerns
5. Crime — a loss to owner and/or to a resident
6. Cyber/breach of privacy issues — guests, residents, employees, vendor employees
7. Employment practices liability (employee or third-party)
8. Requirements for subcontractors

Develop a contract review framework respecting allocation of risk, insurance requirements, indemnification, and waiver of certain claims and subrogation. Create and implement a standard third-party contract risk management and insurance requirement framework. Deviations from the language, terms, and conditions to which parties agreed should require management sign-off. Verification of certificates of insurance and policy copies, as required, should be done annually via a comprehensive compliance program. The review and compliance work for every property management agreement should be made a priority — much like the review and compliance verification of lender requirements pre-acquisition and, periodically, post-acquisition, given that insurance policies can change from year to year.

C. Related to Commercial Space Leased to Others

Properly drafted commercial lease insurance requirements are essential to protect the property owner, guests, and tenants from subrogation attempts by the property insurer. Likewise, comparable requirements should exist in relation to property insurance carried by investment partners and others to protect against their subrogation efforts. The vast majority of commercial leases contain flawed and arcane, if not inappropriate, subrogation waivers and insurance requirements.

D. Related to Vendors/Services

Security firms, laundry services, and maintenance and service contractors of all kinds should have consistent insurance and allocation of risk requirements. Many commercial insurance policies provide coverage as required by written contract which almost always results in narrower, rather than broader, coverage (when an underlying contract is absent or deficient). Concerns include insurance policy provisions such as priority of payments, primary and non-contributory, and lack of completed-operations additional insured coverage.

EXHIBIT D: **Agent/Broker Look Up**

Agent/Broker Lookup

State-specific preferred vendors — pre-screened brokers, by state — could be a tool for the affordable housing industry to consider. The broader perspective to bear in mind is that numerous other insurance programs insure the various risks throughout the country. The placement of coverages could be accomplished differently, or at least tracked differently, to be able to verify each operator is protected in the best way possible. As of right now, various gaps and overlaps could be present and will need further clarification.

Any broker relationship should include a service agreement that outlines the services requested and required, broker responsibilities, and fees associated with the placement function of the program. Enterprise's consultant on this report did not have information on the broker placements for the coverages placed by others.

Broker Compensation and Responsibilities

The primary function of the broker is to be an advocate for the insured with the underwriters. More can be done to facilitate the best underwriting submissions, for example: the statement of values. Data from six or more statements of value has been gathered to attempt to have a complete document. Without good data, the pricing, terms, and conditions from the insurance company will not be the best available.

One of the most effective ways to improve pricing and market access immediately is by working with the correct partner who is, in turn, presenting your risk to the best insurance company partners and presenting you in the best light. A good broker or agent can also make recommendations to the insured on what the best opportunities for improvement are, i.e., where you might get the most return on your investment in the eyes of an underwriter. A trusted provider might be able to vet a list of the top brokers/agents to work with in each market and recommend these partners to their constituents. Inclusion on the list would ensure that the broker is an expert in the field and also potentially comes with pre-negotiated compensation models and broker service agreements. It may also require certain continuing education for brokers and underwriters on various affordable housing programs as well as building codes, fortifications, and best-in-class habitational requirements.

Recommended next steps:

1. Have a trusted industry representative create a provider list by state/region — this would require significant resources and expertise, which may be best supported through state organizations or national coalitions.

2. Find sample broker services agreements, including compensation agreement, for operator's background, which could be useful in organizing the affordable housing industry.

SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

A. BROKER SERVICES

1 How frequently do you schedule formal account review meetings?
2 Please submit copies of the last three years stewardship reports previously sent to us.
3 What online account management tools and portals do you provide? Cost? Outputs?
4 What is the revenue stream split between total brokerage compensation – fee vs. commission?
5 Top 10 insurers with which you place business (by GPW) and annual total premium per insurer.
6 How much of your total brokerage placement revenue is completed via a wholesaler?
7 What other habitational accounts do you handle? Specific names/examples. Total premium written.
8 What other hospitality accounts do you handle? Specific names/examples. Total premium written.
9 Please provide three habitational client references.
10 Please provide three hospitality client references.
11 What service level agreements do you maintain? Please provide sample Client Service Agreement.
12 What are the three or four revenue streams for the overall brokerage entity; e.g., fees, commissions?
13 When was the brokerage last engaged in litigation with a client?
14 To what standard of care do you comply regarding broker services? Fiduciary?
15 What form of indemnity do you provide clients?
16 How do you avoid conflicts of interest between/among clients?
17 How do you place the policyholder's interests as paramount?
18 How do you distinguish your brokerage from the other brokerages? Specific examples.
19 When were you last engaged in coverage or insurance services litigation with a client?
20 With which independent insurance consultants do you interact on client accounts?
21 Please provide list of the ten top services you provide clients.
22 What actuarial services do you provide?
23 What loss triangle, loss projection, loss pick analysis do you provide?
23 Describe overall broker entities, subsidiaries, structure – including ownership interest in any insurers.
24 Are you in any active merger or acquisition discussions? If so, please explain.
25 Any M&A discussions in the last 24 months whereby you would not have been the surviving entity?

SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

B. DATA COLLECTION & RISK INFORMATION

1 What is your process for collecting and updating Property risk information?
2 What is your process for collecting and updating Casualty risk information?
3 How do you validate the accuracy and completeness of risk data?
4 Describe your internal RMIS data platform offerings.
5 How do you track our previous loss history and claims experience?
6 Property valuations and appraisals report, process coordination services?
7 How do you track and report changes in our business operations that affect risk, insurability, cost?
8 Describe business interruption analysis offerings, methodologies.
9 Describe cyber exposure analysis offerings, methodologies.
10 What fleet and vehicle information do you maintain? Sample vehicle list/tracker?
11 How do you document our contractual relationships and exposures?
12 What payroll and employment data do you collect and verify?
13 Contractual risk transfer recommendation samples edits/revisions?
14 What environmental exposure assessments do you conduct?
15 How do you track and advise on relevant regulatory requirements?
16 Please provide two sample statement of values.
17 How do you document our professional services and liability exposures?
18 What safety and loss control program information do you maintain?
19 What contingent business interruption exposures do you identify?
20 How do you ensure data privacy and security in information collection?

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SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

C. LOSS CONTROL & LOSS PREVENTION

1 What specific loss control services have you provided to our organization in the past 12 months?
2 How do you identify, prioritize, and quantify our most significant loss exposures?
3 What loss control recommendations have you made, and how do your track implementation?
4 Provide a summary of the last ten facility inspections provided to us.
5 How do you benchmark our loss experience against industry standards?
6 What safety training programs have you recommended or facilitated to us?
7 How do you help develop and maintain emergency response procedures?
8 What loss prevention technologies have you recommended for our operations?
9 How do you help us establish key performance indicators for safety metrics?
10 What industry best practices have you shared with our organization?
11 How do you coordinate loss control efforts with our insurance carriers?
12 What pre-loss planning services have you provided us in the last 24 months? How are results measured?
13 How do you help us evaluate the economic cost-benefit of risk mitigation investments?
14 What fire prevention and protection measures have you recommended?
15 How do you assist with fleet safety programs and driver training?
16 What workplace violence prevention strategies have you suggested?
17 How do you help us address cyber security vulnerabilities?
18 What environmental risk assessments have you facilitated for our assets?
19 What construction risk management services have you provided us in the last 24 months?
20 What seasonal weather risk management strategies have you recommended to us?
21 How do you evaluate the effectiveness of our current safety programs?
22 What cost/benefit metrics do you use to measure loss control program success?

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SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

D. CLAIMS MANAGEMENT

1 How have you handled initial claim reporting and documentation for us?
2 What claims investigation services do you provide? Claims adjustment?
3 Describe with particularity claims advocacy services, personnel qualifications, outcomes - Property.
4 Describe with particularity claims advocacy services, personnel qualifications, outcomes - Casualty.
5 How do you track and report on claims status and reserves? Provide work product examples.
6 What claims analytics and trending do you provide? Provide work product examples.
7 How do you help us evaluate claims settlement offers?
8 What role do you play in coverage disputes and denials? Specific examples.
9 How do you coordinate multiple carriers on complex claims?
10 How have you assisted with regulatory reporting requirements for claims? And otherwise?
11 What documentation have you provided to prepare for claim submissions? Notice samples.
12 What claims audit services have you provided?
13 How do you evaluate claims handling performance by carrier?
14 What role do you play in subrogation and recovery efforts? Specific services provided?
15 Please explain (including examples) complex claim analysis and management.
16 What claims consulting services do you provide for self-insured exposures?
17 Please provide sample written claims handling procedures, GL, Auto, W/C, Exec Risk.
18 What claims management technology do you utilize or recommend?
19 How do you ensure proper reserving and financial reporting for claims?
20 What litigation management support do you provide?
21 How do you coordinate with our legal counsel on claims matters?
22 What claims benchmarking have you provided relative to industry standards?

E. CARRIER RELATIONSHIPS & MARKET LEVERAGE

1 How many insurance carriers do you actively work with for our lines of coverage?
2 What is the quality and depth of your relationships with key carriers?
3 How do you evaluate and select carriers for our specific risks?
4 What market intelligence do you provide on carrier appetite and capacity?
5 Top ten insurers in terms of GPW? How much premium do you place with each of our insurers?
6 Explain experience with shared and layered property programs.
7 What specialized markets do you access for unique or difficult risks?
8 How do you evaluate emerging insurance companies and markets?
9 How do you assess carrier claims-paying ability and service quality?
10 What surplus lines carrier relationships do you have?
11 How do you evaluate carrier technology and service platforms?
12 Do you own, operate or manage any captive facilities?
13 Explain top three P&C market trends material to us.
14 How do you track and report on carrier performance metrics?
15 How do you evaluate carrier appetite for specific industry sectors?
16 What regional and specialty carrier relationships do you maintain?

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SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

F. BENCHMARKING & PROGRAM ANALYSIS

1 How do you benchmark our insurance costs against industry peers?
2 What benchmarking do you provide on our total cost of risk?
3 Provide reports on our last 24 months return on investment measure for risk management initiatives.
4 Cost-benefit analysis rendered to us - last 24 months re: insurance and risk management decisions.
5 What industry best practice comparisons do you provide?
6 How do you help us evaluate risks associated with business expansion or changes?
7 What competitive intelligence do you provide on industry risk practices?
8 How do you benchmark your performance against other brokers?
9 What benchmarking do you provide against best-in-class organizations?
10 How do you help us identify trends and patterns in our claims experience?
11 What performance metrics do you track for our account?
12 How do you measure the value and ROI of your services?
13 What key performance indicators do you track for our account? Please submit report copies.
14 How do you evaluate carrier pricing and underwriting cycles?
15 What financial reporting do you provide on our insurance program performance?
16 How do you analyze and optimize our total cost of risk? Please submit report copies.
17 What metrics do you use to measure loss control program success?

SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

G. COMPLIANCE, DOCUMENTATION

1 What compliance monitoring services do you provide us?
2 How do you ensure our insurance program meets regulatory requirements?
3 What regulatory filing and reporting assistance do you provide us?
4 How do you ensure we comply with state-specific insurance requirements?
5 What role do you play in regulatory audits and examinations?
6 How do you ensure compliance with contractual insurance requirements?
7 What regulatory training do you provide to our staff?
8 What documentation do you maintain to demonstrate regulatory compliance?
9 How do you communicate regulatory changes that affect our organization?
10 What support do you provide for government contracting insurance requirements?
11 How do you ensure proper licensing and authorization in all jurisdictions?
12 What regulatory risk assessments do you perform?
13 How do you help us prepare for regulatory changes and implementation?
14 What policy summary documents do you prepare for our review?
15 How do you track policy effective dates and renewal deadlines?
16 How do you ensure proper coordination between different lines of coverage?
17 What is your process for handling mid-term policy changes?
18 How do you manage additional insured requirements and endorsements?
19 What waiver of subrogation coordination do you provide?
20 How do you handle primary and non-contributory language requirements?
21 What breach of warranty provision management do you offer?
22 How do you coordinate policy language with our contracts and leases?

SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

H. STRATEGIC PLANNING & RISK ADVISORY

1 What industry expertise and insights do you provide specific to our sector?
2 Explain specific merger and acquisition insurance advisory services?
3 How do you assist with succession planning and business continuity?
4 How do you help us evaluate and implement enterprise risk management?
5 How do you assess and advise on emerging risks and industry trends?
6 What strategic partnership opportunities do you identify and facilitate?
7 Specifically, practically, how do you help clients align insurance strategy with business objectives?
8 What is your process for identifying new and emerging risks?
9 What key risk indicators have you helped us establish and monitor?
10 What enterprise risk management frameworks have you recommended?
11 Have you established risk committees for us?
12 Provide the presentation materials for the last three insurance/risk management townhall meetings.
13 How do you assist with risk appetite and tolerance setting?
14 Provide the latest risk register and heat maps generated for us.
15 What risk transfer strategies beyond insurance have you explored for and with us?
16 What risk management training have you provided to our staff in the last 24 months?
17 How do you help us communicate risk information throughout the organization?

I. RISK FINANCING & ALTERNATIVE RISK TRANSFER

1 What risk financing alternatives have you evaluated for our organization?
2 How do you determine optimal retention levels and deductibles?
3 What captive insurance feasibility studies have you performed for us? Copies?
4 How do you evaluate alternative risk transfer mechanisms?
5 What payment plan options and premium financing do you arrange?
6 How do you manage and optimize our insurance cash flow?
7 What dividend and return premium programs do you help us access?
8 How do you evaluate the financial impact of different deductible levels?
9 What captive insurance or self-insurance feasibility studies do you provide?
10 How do you evaluate and present alternative risk financing options?

J. CONTRACTUAL RISK TRANSFER

1 How do you assist us with vendor risk management and insurance requirements?
2 What contractual language revisions do you provide for contractual insurance requirements?
3 How do you review and specifically advise on hold harmless and indemnification language?
4 Specific contractual language guidance given us on subcontractor insurance requirements?
5 What assistance do you provide with wrap-up insurance programs?
6 How do you evaluate insurance requirements in our customer contracts?
7 How do you advise on property and equipment lease insurance and indemnity provisions?
8 How do you advise with professional services agreement risk transfer?

SERVICE QUESTIONNAIRE
PROPERTY CASUALTY

K. TECHNOLOGY & REPORTING

1. What insurance technology platforms and tools do you utilize?
2. What data analytics capabilities do you provide us?
3. What are the costs associated with your technology offerings?
4. What RMIS platforms do you use for our claims management?
5. What automated reporting and dashboards do you provide us? Costs?
6. How do you ensure data security and privacy in your technology systems?
7. What mobile applications or tools do you offer for account management?
8. How do you integrate with our existing systems and processes?

L. BUSINESS CONTINUITY & CRISIS MANAGEMENT

1. What specific Business Continuity Planning services have you provided us in last three years?
2. How do you assist clients with regulatory compliance issues? Service examples?
3. Please provide written samples for crisis communications.
4. Please provide written samples of habitational written response procedures and employee training.
5. Please provide written samples of Business Interruption analyses provided to other clients.
6. Please provide Disaster Recovery planning materials provided to clients.
7. What contingency planning services do you provide for critical business operations?
8. How do you help evaluate business continuity insurance coverage options?
9. What crisis management protocols do you prepare for clients? Please provide samples.
10. Please explain your specific experience coordinating emergency response agencies and vendors.

M. INDUSTRY KNOWLEDGE & SPECIALIZATION

1. Explain industry experience, expertise, specialization and leverage in habitational and hospitality.
2. How do you provide industry-specific benchmarking and best practices? Please provide samples.
3. What specialized industry insurance products and markets do you access?
4. What services to you provide relative to industry-specific regulatory requirements?
5. How do you help clients prepare for industry-specific emerging risks and trends?

EXHIBIT E: **Tenant Liability Explanation**

Another solution to help affordable housing providers reduce insurance costs and improve coverage availability is the formation of a captive insurance company or a risk retention group (RRG). These alternative risk-financing structures allow a group of similarly situated entities — such as affordable housing operators — to pool their resources and collectively insure certain risks that may be prohibitively expensive or poorly covered in the traditional insurance market. By doing so, participants gain more control over pricing, underwriting, loss control, and claims handling, while also benefiting from improved data transparency and long-term cost stability.

A logical starting point for such a captive or RRG would be the creation of a force-placed Tenant Legal Liability (TLL) program. This coverage would automatically apply to all units within participating properties and would be designed to protect property owners against damage resulting from tenant negligence — such as kitchen fires, water damage, or other avoidable property losses. In the event of a vacancy, the policy could also reimburse the owner for the cost of refurbishing and turning the unit more quickly, helping to minimize revenue loss and reduce the time a unit sits idle thereby maximizing the amount of affordable housing units available at any one time. Unlike requiring tenants to carry renters' insurance, which is difficult to enforce and inconsistent in practice, a force-placed program ensures consistent coverage across the portfolio and removes the administrative burden from the property management team.

This type of program could be priced affordably on a per-unit basis and rolled into the operating budget or covered by a modest fee charged to tenants where allowable, much like utility billing or amenity fees. Because the risk is distributed across a wide pool of units, losses become more predictable and manageable. Over time, the captive or RRG can use accumulated data to refine underwriting, set appropriate deductibles, and even return surplus funds to participants. Importantly, this coverage helps reduce claims against the property's general liability and property policies, which can lead to better loss ratios and more favorable renewal terms from excess and surplus lines carriers. The captive structure would also help to improve access to reinsurance markets.

By establishing this targeted form of coverage within a captive structure, affordable housing providers can take a proactive step toward stabilizing one of their most volatile operating costs. Not only does it provide an immediate financial buffer against unit-level losses, it also lays the groundwork for expanding into other types of coverage — such as general liability, excess liability, or property insurance — under the same captive model. In the long run, this approach can foster greater insurance market competition, reduce dependence on volatile commercial markets, and give affordable housing providers the autonomy they need to manage risk more strategically.

EXHIBIT F: **Insurance Dashboard**

An owner's insurance dashboard should be loaded with the following tools and features:

Repository of insurance information:

- Current policies
- Policies from prior years
- Policy schedule
- Property data — Statement of Values
- Applications — current and prior years
- Certificates of insurance provided to all relevant parties
- Exposure information provided for renewal
- Proposal documents
- Binders
- Prior insurance information from due diligence
- Divested properties
- Named insureds
- Cost allocations
- Cost of risk year-over-year
- Benchmarking

EXHIBIT G: **Risk Management Guide**

The demand for affordable housing will likely only continue to rise in the coming years. However, industry insights reveal that this growth is accompanied by increased exposure to risk, inefficiencies, and inconsistencies in how risk is managed across the sector. Many affordable housing entities face challenges such as overlapping responsibilities, gaps in coverage, and a lack of coordinated mitigation strategies.

To address these issues, it is essential to implement **a comprehensive risk management plan**. Such a plan is designed to:

- Identify and assess key risks across property, liability, and operational domains
- Eliminate redundancies and close gaps in current risk mitigation efforts
- Promote cost-effective strategies that reduce the likelihood and severity of losses
- Align risk management practices with underwriting expectations to improve insurability and reduce premiums

Most operators have complex involvement with multiple investors and stakeholders, making them more robust and complicated than single-owned, passive investments. Many own dozens of properties and make significant acquisitions of new properties with multiple investors. The goal of this work is to help both the small single owner and the large operators handling hundreds of locations.

Risk management strategy needs to be consistent with the risk appetite of the organization. Risk avoidance, mitigation, transfer, and retention should be undertaken deliberately within a framework that is consistent with the views of the investment partners and various management leaders. This can be accomplished by establishing an internal risk management role function and enacting a risk management committee with appropriate representation across the enterprise.

1. Need for risk management function

Each operator should establish a comprehensive risk management function. The structure options, areas of responsibility, and how Risk Management is expected to interact with the various business units are discussed below. The Risk Management function (or department in some cases) is typically broad in scope and has numerous touch points in an organization. By definition, it is interdisciplinary and requires various skill sets — financial, legal, insurance, human resources, engineering, etc. It regularly collects and uses sensitive information: legal instruments, financial data, claims data, personally identifying information, and even protected health information. Given that risk management usually interacts with virtually all business units, a centralized risk management function will help improve communication and accountability throughout the organization — a prevailing need. Executives and employees at various affordable housing companies are well aware of the need for Risk Management throughout all levels, which is a good sign the Risk Management role will be welcomed.

2. Total insurance program

Enterprise's consultant on this report noted that when asked to perform risk assessment for an organization, they typically obtain a copy of every insurance policy and representative copies of third-party contracts. An operator's total insurance program is many times greater than the coverages currently purchased by them.

For example, consider building coverage for property only. Some operators have over 35 locations. It may insure only four buildings through the property program it places. The other 31 operating properties might be insured through seven separate programs (unrelated to the program purchased by the operator) with more than two dozen insurance carriers. This makes managing premium costs; leveraging relationships with insurance carriers; negotiating coverage terms, conditions, and pricing; renewals; acquisition appetite; filing and handling claims; allocating premium expenses; and, ultimately, any loss control recommendations, difficult.

In many cases, there is no central repository for all data and insurance information. Developing a comprehensive insurance summary of salient data points for each property, and for the group of properties, is recommended. This could include, for example, Investor A's properties vs. Investor B's properties, along with an insurance dashboard that would include many of the tools needed to begin centralizing the risk management materials.

Next, consider property contents, business income (management fees and loss of rents), liability coverages (premises, management company, errors, and omissions), and contractual relationships with third parties (security services, contractors, maintenance providers, etc.) and it is difficult to determine the Total Cost of Risk (TCOR) for a single operator, let alone whether the subject insurance and program structure is effective, efficient, and protects all appropriate entities (named insureds), business partners, investors, etc. It will be difficult to predict the overall efficiency or effectiveness of an insurance program absent an aggregation and comparison of the collective data. This challenge will persist given the very nature of affordable housing investment strategies and partners. An enterprise with no such investment partners often will own and control virtually all its own insurance and risk management programs. Such is rarely the case for most real estate organizations.

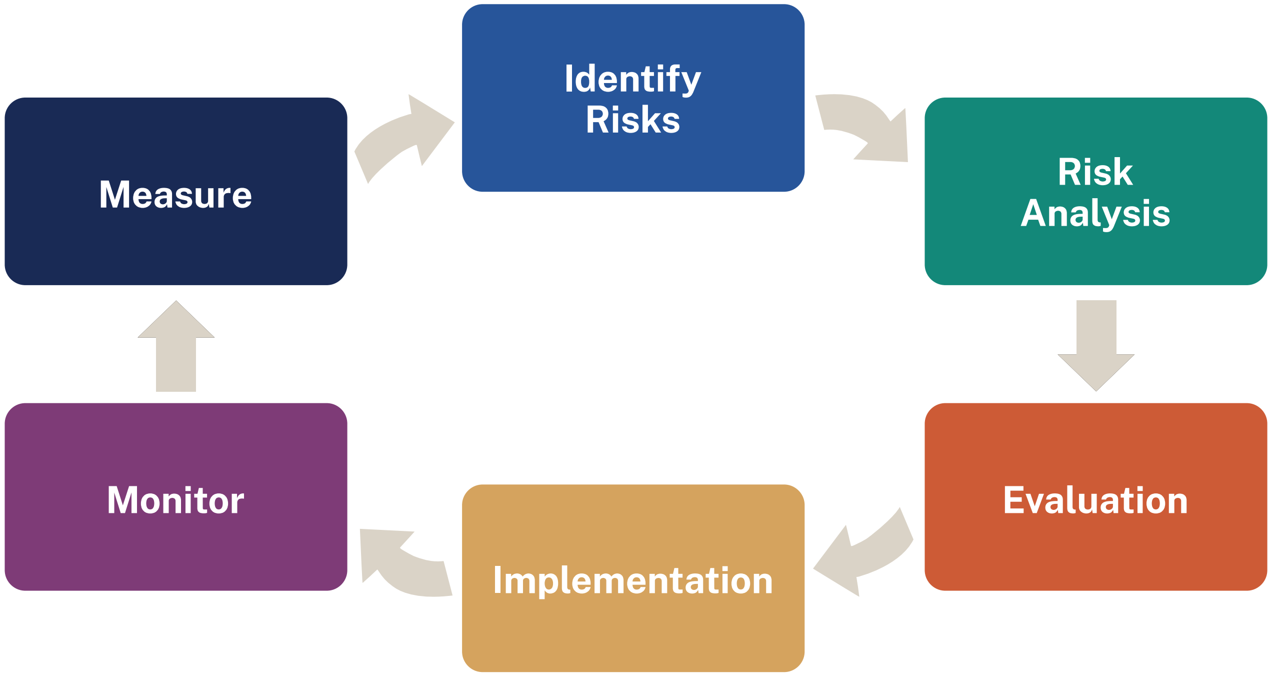
3. Lack of formalized training

There should be a need/desire to develop and implement a formal safety program as a function of risk management, perhaps in conjunction with human resources, which should include formalized safety training, emergency preparedness, and a general corporate-wide safety program. Safety instruction should be required for all current employees as well as new hires and can cover more than 20 separate topics, such as active shooter situations, blood-borne pathogens, asbestos mitigation, and emergency weather-related situations such as flood, high wind, blizzard, and fire events.

4. Risk management

The risk management process involves the following steps and phases:

- Identify risks of loss
- Risk analysis
- Evaluation
- Implementation
- Monitor
- Measure
- Characterize loss exposure as property damage, bodily injury, financial, reputation, intellectual property, etc.



Risk management should reside at the corporate level so that its functions can be coupled with specific corporate services to streamline the overall allocation of risk, insurance placement, risk mitigation, and risk transfer.

5. Broker participation in risk management

Most operators are currently buyers of insurance without a *bona fide* risk management program. Several reasons exist to warrant a higher and dramatically better level of service from their brokers. Operators need a true strategic broker lead that works with the operator, has good knowledge of the operator's concerns and needs, and, most importantly, is an advocate for the operator in order to leverage market relationships and help weigh in on risk management issues. Driving factors supporting the need for superior broker services include:

- **The complexity of affordable housing operations**
- **Loss frequency and loss severity concerns relating to habitational businesses**
- **The complexity of many operators' insurance needs**
- **The limited number of quality insurance carriers that write habitational risks**
- **The historically high and currently higher policy premiums paid to the insurers**
- **The significant level of compensation paid to the brokers**
- **The quantity of new acquisitions**

This expectation should include quality marketing submissions, proposal documents, stewardship reports, and document and data retention schedules. Operators should also understand the limitations of broker resources for decision-making, drafting insurance language, claims assistance, and coverage recommendations. Fundamentally, brokers provide insurance placement services first and foremost. Most everything else is offered on an advisory versus actual decision or concrete advice basis. Actual decision-making and detailed analysis is better left to the insured and its risk management function/department.

EXHIBIT H: **Matrix for Cost Impacts**

Commercial Property Underwriting Matrix

Risk Factor	Scoring Criteria	Score (1-5)	Weight (%)	Weighted Score
Construction Type	1 = Frame / wood, 5 = Fire-resistive concrete / steel	2	15%	0.30
Occupancy	1 = High-risk (*e.g.*, welding), 5 = Low-risk (*e.g.*, office)	4	10%	0.40
Protection	1 = No sprinklers or alarms, 5 = Fully sprinklered & alarmed	3	20%	0.60
Exposure	1 = Adjacent hazards, 5 = No adjacent risks	2	10%	0.20
Location Risk	1 = High crime / catastrophe zone, 5 = Low-risk area	3	15%	0.45
Maintenance / Upgrades	1 = Deferred maintenance, 5 = Recent upgrades	4	10%	0.40
Claims History	1 = Frequent / severe losses, 5 = No losses in 5+ years	5	10%	0.50
Risk Management Practices	1 = None, 5 = Best practices in place	4	10%	0.40
			TOTAL = 100%	**2.85**

EXHIBIT I: **Broker Affordable Housing Survey**

Benchmarking Survey

SECTION 1: ORGANIZATION AND PORTFOLIO PROFILE

Organization Information:

1. Organization Name (optional):______________________________________
2. Primary Geographic Markets (states/regions served):____________________________
3. Years in Operation:______________________________________

Portfolio Characteristics:

4. Total Number of Properties/Buildings: ______________________________
5. Total Number of Housing Units:______________________________
6. Geographic Concentration:
   - ☐ Single State
   - ☐ Regional (2-5 states)
   - ☐ Multi-Regional (6+ states)
7. Property Types (% of portfolio):
   - ☐ Multifamily apartments: ____________%
   - ☐ Single-family homes: ____________%
   - ☐ Senior housing: ____________%
   - ☐ Mixed-use (commercial/residential): ____________%
   - ☐ Other: ____________%
8. Building Age Profile:
   - ☐ Properties built pre-1980: ____________%
   - ☐ Properties built 1980-2000: ____________%
   - ☐ Properties built post-2000: ____________%
9. Average Occupancy Rate: ____________%

SECTION 2: INSURANCE PROGRAM STRUCTURE

10. Total Annual Premium Paid (last full policy year): $ ______________________________

11. Total Insured Property Value (TIV): $ ______________________________

12. Average Rate per $100 TIV: $ ______________________________

13. Deductible Structure (select all that apply):

    ☐ Flat Deductible: $ ____________________

    ☐ Percentage Deductible: ____________%

    ☐ Per Building/Per Occurrence: ____________________

    ☐ Aggregate Deductible: $ ____________________

    ☐ Wind/Hail Separate Deductible: $ ____________________ or ____________________%

14. Primary Insurance Provider(s): ______________________________

15. Broker or Consultant Used: ______________________________

16. Program Type:

    ☐ Traditional Standalone Policy

    ☐ Master Policy for Portfolio

    ☐ Captive or Risk Retention Group

    ☐ Pooling Arrangement

    ☐ Other (please describe): ______________________________

17. Policy Term:

    ☐ Annual

    ☐ Multi-year (____________years)

SECTION 3: COVERAGE DETAILS

Property Coverage:

18. All-Risk Property Limit: $ ______________________________

☐ Blanket limit or ☐ Scheduled limits per location

19. Business Income/Loss of Rents Limit: $ ______________________________

☐ Coverage Period: ____________months

20. Equipment Breakdown Coverage:

☐ Yes or ☐ No

☐ Limit: $____________________

Key Sub-Limits:

21. Flood Coverage: ☐ Yes ☐ No

- If yes, aggregate limit: $____________________
- % of portfolio with flood coverage: ____________%

22. Earthquake Coverage: ☐ Yes ☐ No

- If yes, aggregate limit: $____________________
- % of portfolio with EQ coverage: ____________%

23. Ordinance or Law Coverage:

☐ Included

☐ Limit: $____________________

24. Green Building/Sustainability Upgrades:

☐ Included

☐ Limit: $____________________

Liability Coverage:

25. General Liability Occurrence Limit: $______________________________

26. General Liability Aggregate Limit: $______________________________

27. Umbrella/Excess Liability: ☐ Yes ☐ No

    - If yes, limit: $____________________
    - Number of layers: ____________________

Specialized Coverages (check if included and note limits):

28. ☐ Employment Practices Liability (EPLI) — Limit: $______________________________

29. ☐ Directors & Officers (D&O) — Limit: $______________________________

30. ☐ Crime/Employee Dishonesty — Limit: $______________________________

31. ☐ Cyber Liability — Limit: $______________________________

32. ☐ Environmental/Pollution Liability — Limit: $______________________________

33. ☐ Sexual Abuse and Molestation — Limit: $______________________________

SECTION 4: COST BENCHMARKING METRICS

34. Premium per Unit: $____________________(Total Premium ÷ Total Units)

35. Premium per Building: $____________________(Total Premium ÷ Total Buildings)

36. Property Premium as % of Total: ____________%

37. Liability Premium as % of Total: ____________%

Premium Breakdown by Coverage (if available):

38. Property/Catastrophe Premium: $____________________

39. General Liability Premium: $____________________

40. Umbrella/Excess Premium: $____________________

41. Workers' Compensation Premium: $____________________

42. All Other Coverages Combined: $____________________

SECTION 5: LOSS HISTORY AND EXPERIENCE

43. Loss Ratio (Last 3 Years Average):____________________% (Total Incurred Losses ÷ Total Premium)

44. Number of Claims (Last 3 Years):

    - Property claims: ____________________________________
    - Liability claims: ____________________________________
    - Total claims: ____________________________________

45. Claims Frequency per 100 Units: ____________

46. Most Common Loss Types (top 3)

    1. ____________________________________
    2. ____________________________________
    3. ____________________________________

47. Largest Single Loss (Last 5 Years): $ ____

    - Type of loss: ____________________________________

48. Outstanding Reserves: $ ____

SECTION 6: RISK MANAGEMENT PRACTICES

49. Formal Risk Management Program: ☐ Yes ☐ No

50. Risk Management Activities (check all that apply):

    ☐ Regular property inspections (frequency: ________________________)

    ☐ Third-party safety inspections

    ☐ Tenant safety education programs

    ☐ Staff safety training programs

    ☐ Written emergency response procedures

    ☐ Preventive maintenance program

    ☐ Capital needs assessments

51. Staff Dedicated to Risk/Insurance: ____ FTE(s)

52. Annual Risk Management Budget (separate from premium): $____

SECTION 7: MARKET CHALLENGES AND PRIORITIES

53. Biggest Insurance Challenges (rank top 3):

- ☐ Premium cost increases
- ☐ Coverage availability
- ☐ High deductibles
- ☐ CAT exposure management
- ☐ Claims management
- ☐ Finding qualified carriers
- ☐ Coverage gaps/exclusions
- ☐ Other: ____

54. Premium Trend (Last 3 Years):

- ☐ Decreased
- ☐ Flat
- ☐ Increased 1-10%
- ☐ Increased 11-25%
- ☐ Increased 26-50%
- ☐ Increased >50%

55. Anticipated Changes for Next Renewal:

- ☐ Exploring alternative markets
- ☐ Increasing deductibles to manage cost
- ☐ Reducing coverage
- ☐ Enhancing risk management to improve terms
- ☐ No changes anticipated

Optional: Would you be willing to participate in a follow-up discussion? ☐ Yes ☐ No

Contact Information (optional):

Name:____

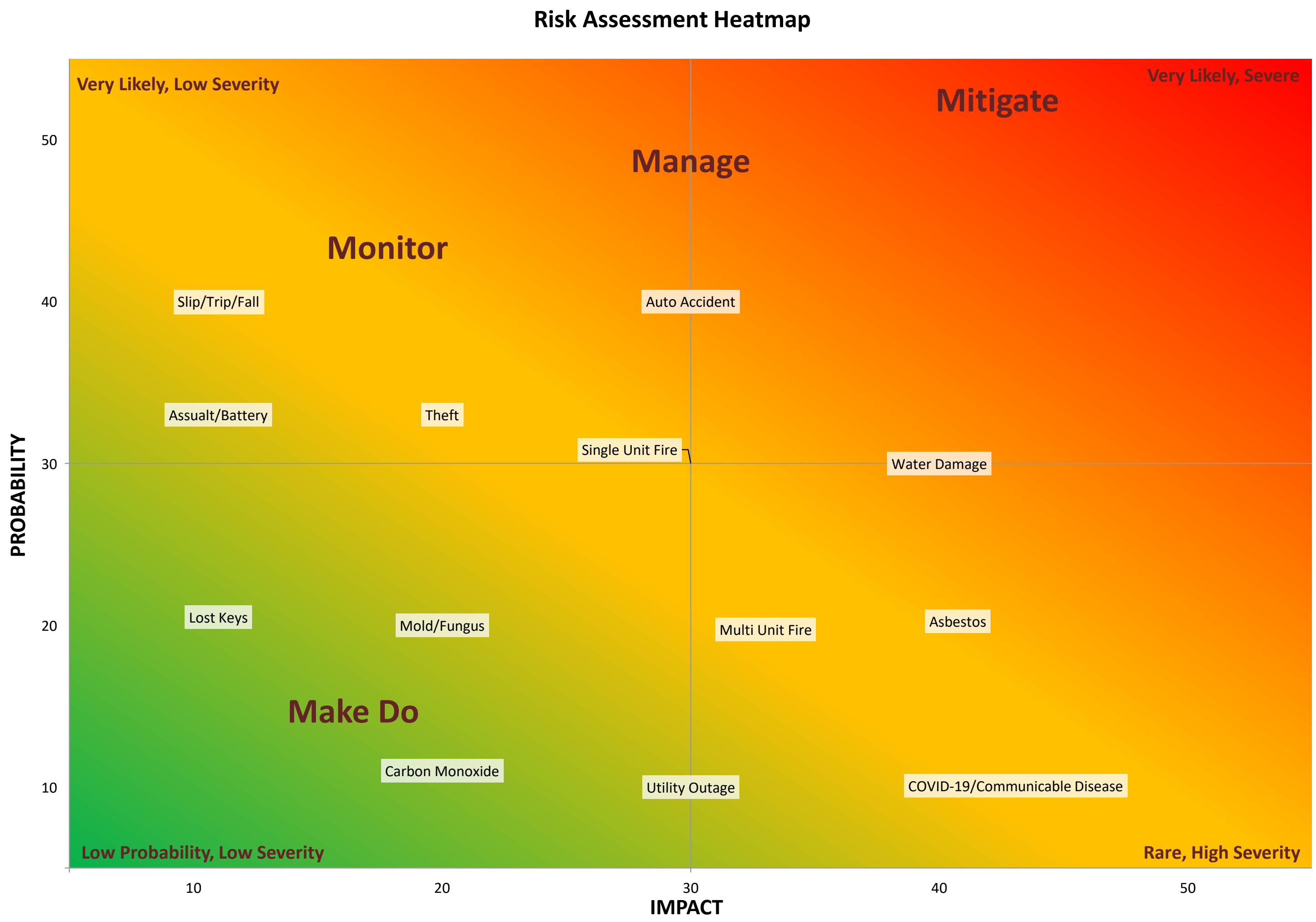
Email: ____

Phone: ____

All responses will be kept confidential and reported only in aggregate form.

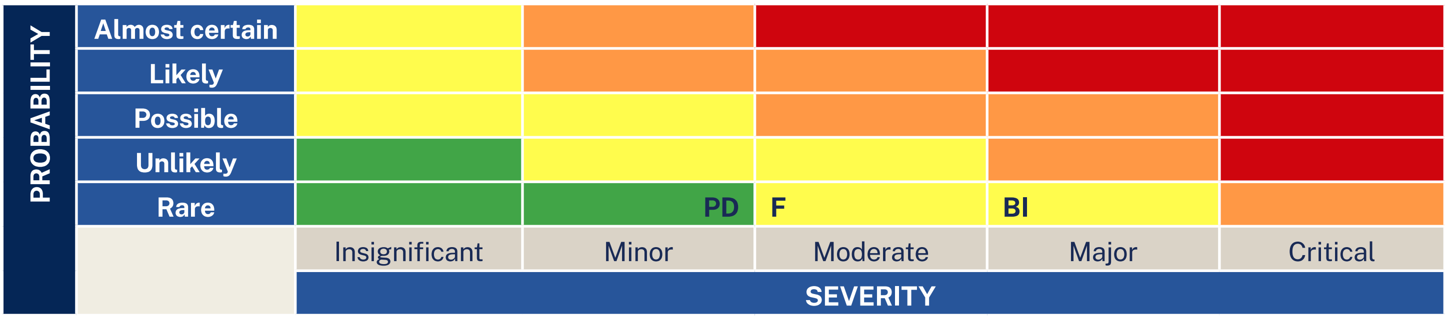
EXHIBIT J: **Top Ten Risks**

Various risks have been evaluated and some of the most significant risks based on a threshold of losses that could cause a significant financial loss have been summarized. The following 15 risks do not constitute an entire risk register (an exercise that should be conducted in due course), and other key loss exposures also warrant attention.



A. Emergency Action/Response Plans

Emergency Action Plans (EAPs) and Emergency Response Plans (ERPs) should be in place and organization-wide employee training should be instituted along with the preparation of an EAP/ERP guideline book and employee training program.



Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

RECOMMENDATION

- Complete a rollout of the program
- Document the guidebook in team format for access by all team members
- Provide training outline
- Schedule organization-wide training in town-hall format, then location-specific
- Coordinate with human resources to conduct training with new hires and annually
- Conduct lessons-learned debriefings after any key loss events and near-misses
- Purchase training software
- Carry out tabletop exercises
- Invite participation of Risk Management Committee

B. Need for Centralized Risk Management/Insurance Function

The lack of internal and external attention to risk management can result in multiple underinsured or uninsured loss exposures. Examples include inadequate insurance limits, such as insufficient cyber-liability coverage; uninsured exposures, such as the absence of violent event coverage and limited recourse against third-party security providers; and underwriting data issues, including inaccurately stated building values, incorrect square footage, and errors in the reported number of stories.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely				F, O	
Possible			BI		
Unlikely					
Rare					
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **F** = Financial Loss **O** = Other

RECOMMENDATION

- Form a Risk Management Committee and Safety Committee at each location
- Formulate the risk manager position, and subordinate employee needs (claims, loss control, administrator)
- Outline first-year risk management priorities
- Outline the risk management measurements (KPIs) to track progress, pivot strategies, future planning

C. Catastrophic Natural Perils

Property insurance programs can have various limits available at time of loss.

The values of properties coupled with other properties also insured by the same program in certain geographic areas can exceed various loss limits. For example, numerous properties in the same general area could exceed the total policy limit available for loss when they are insured in the same shared and layered property program. Should an event occur such as Hurricane Sandy, the loss limit may actually not be sufficient, since total insured values within certain boroughs exceeded the per-occurrence loss limit.

As an example, a $10M sub-limit for the peril of flood for low-risk flood zones and $2.5M for moderate- and high-risk flood zones can lead to a materially underinsured loss that affects multiple properties.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely				PD, F	
Possible					
Unlikely					
Rare	BI				
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

D. Insured Values, Market Value, and Mortgage Balance — Requirements and Premiums

For some buildings, the insured value shown on a Statement of Values is far less than the market value and/or the mortgage balance, which can be problematic in a total loss.

For example, if a building in New York City has an insured value of approximately $47.5M (as shown on the Statement of Values) and a mortgage balance of approximately $81M, the insured value is the estimated cost to rebuild with like, kind, and quality materials. The policy's 130% margin clause would not yield sufficient settlement proceeds to satisfy the mortgage. Per the Statement of Values, the current cost per square foot to rebuild is $573. However, construction costs in New York City may exceed this.

The valuation true-up for these buildings will likely yield significant additional premium. If this is not addressed, the financial and legal liability risk of a major loss is very significant.

For each building, verification will be needed to ensure that the building owner has adequate coverage for the building and that there is enough insurance to satisfy lender requirements.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain				PD, F	
Likely					
Possible					
Unlikely					
Rare	BI				
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

RECOMMENDATION

- Request a current evidence of property insurance for each location insured by an investor
- Review management agreements for each property; ascertain insurance requirements and compliance
- Review coverage issues with values by location for square footage replacement costs
- Make sure each bank loan obligation is satisfied by owner-purchased coverage or investor-provided coverage

E. Underreported Values — Loss Settlement

It is very common for commercial and habitational property portfolios to have improper values (market value instead of replacement cost, for example) which results in a number of issues, some of which are listed below, when a loss occurs. It is important that insureds continue to stay on top of values, making sure new additions have all necessary underwriting information and values are regularly updated to keep up with rising construction costs.

In a property policy, a margin clause of, say, 130% operates to limit the insurance recovery for loss to an insured property to not more than 130% of the value shown for such property on the Statement of Values on file with the insurer.

A 130% margin clause can indicate a lack of confidence in the Statement of Values' accuracy. Carriers may behave in various ways when a (material) disparity exists between the Statement of Values and the building's actual replacement value at time of loss:

- Not pay the claim based on material misrepresentation
- Pay only the reported value of the property per the Statement of Values on file
- Pay the claim at the replacement cost, require commercial appraisals paid for by the insured, and charge premium on the actual replacement cost for all properties
- Cancel the policy for material misrepresentation
- Non-renew the policy
- A material loss settlement shortfall could lead to an investor claim against the property owner
- Pay for property damage, yet have insufficient limit available for business income

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					**PD, F**
Likely					
Possible					
Unlikely					
Rare	**BI**				
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

F. Construction Risk — Commercial Insurance

Construction projects, including renovations and new construction, present inconsistencies in regard to who is to purchase the necessary insurance, i.e., owner, investment partner, joint venture; and what type of insurance is preferred, i.e., builder's risk, contractor's pollution liability, design professional liability, general liability, etc.

Each project's renovation costs determine whether the builder's risk exposures can be insured on the owner's property policy or a separate standalone builder's risk policy. There is potential for gaps and overlaps in coverage when the builder's risk coverage is placed with a carrier other than the owner's property insurer. Also, a shared and layered property program presents additional complications and concerns regarding appetite as well as consistent coverage terms and conditions.

PROBABILITY						
	Almost certain					
	Likely					
	Possible			BI	PD, F	
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Critical
		SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

RECOMMENDATION

- Create an acquisition strategic plan insurance on-boarding template
- Create a standardized data sheet and guidelines to be used when requesting quotes from property owners or their partners
- Market assignments are also critical if more than one broker is quoting
- Request a current certificate of insurance for each general contractor
- Review construction documents regarding insurance requirements, indemnification, waiver, and allocation of risk
- Verify that the course of construction or builder's risk coverage is correct for each correct project
- In the event of a loss, verify which carrier has insurance on the building, the construction, business income or extra expense
- Track completion dates in order to extend insurance coverage, if necessary

G. Contract Management System/Risk Transfer

A contract management system provides for the consistent tracking of loan insurance requirements, third-party contracts and their respective allocation of risk, indemnification, and insurance provisions, or vendor certificates of insurance by property owner and/or investor. Inconsistent tracking of this data has the potential to cause the owner to be in breach of loan requirements or to spend unnecessary premium to lower deductibles and purchase additional flood insurance that is not required. Further, there is not a single source to track who is responsible for insuring properties, both for property and general liability. A worst-case scenario could result in the owner being either uninsured or paying for duplicate coverage on a building.

PROBABILITY						
	Almost certain					
	Likely				F	
	Possible					
	Unlikely					
	Rare	BI, PD				
		Insignificant	Minor	Moderate	Major	Critical
		SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

RECOMMENDATION

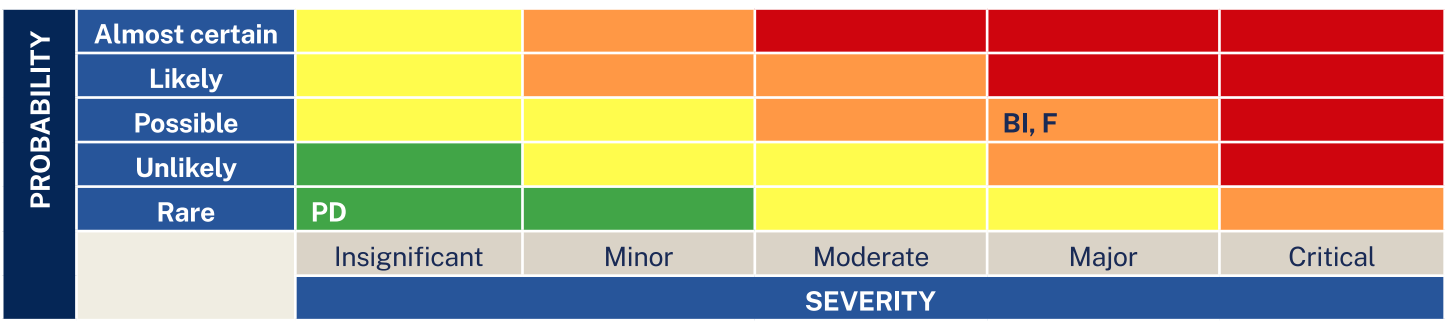
- Review various key vendor contracts
- Review documents with insurance requirements
- Collect certificates of insurance initially and then annually — an insurance dashboard will help track this
- Collect copies of the additional insured endorsements, where required by contract
- Draft template insurance requirements to be used in any contract that can be negotiated by property owner
- Create a matrix of exceptions for insurance requirements
- Losses need to be tracked, tied to each underling contract, with periodic follow-up on status
- Consider a contract management system that would house the contract and the certificate of insurance in the same place

H. Available Insurance Limits — Liability

When purchasing liability insurance covering multiple locations, the “each occurrence limit” and the “aggregate limit” should be sufficient to cover a single catastrophic event. A multiple-vehicle auto accident or building fire where numerous people perish could exhaust all the limits, leaving other non-affected buildings unprotected. Many organizations have multiple employees who drive for the organization between properties. The auto liability exposure is often considered mundane, yet the nationwide number of auto claim jury verdicts exceeding $50M continues to increase.

In another scenario, consider the opportunity for two policies to exist covering the same property, i.e., the property owner’s general liability policy and the investor’s general liability policy. Both policies could be triggered by the same loss. This potential overlap is not recommended. When a carrier can assert that another insurance policy should apply to a loss, the insured potentially loses coverage. There are also opportunities for gaps when two policies are in place.

Clarity can be lacking in terms of contractual allocation of loss between the property owner and various onsite vendors. If a loss occurs when a third-party is onsite, whose policy should respond? The property owner is managing the property; however, the third-party vendor, i.e., the security firm that is onsite at night, is engaged by whom? Copies of contracts and consistent insurance requirement templates are essential to coordinate actual coverage at time of loss.



Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

RECOMMENDATION

- Review various third-party agreements; establish contracting schematic based on estimated risk of loss
- Review documents with insurance requirements and make note of review
- Collect certificates of insurance
- Generate coverage compliance function

I. Legal Counsel

In-house general counsel and the use of multiple outside law firms for various transactional matters can lead to inconsistent insurance language used in contracts. Gaps and redundancies can exist. Consequently, the property owner may be uninsured or underinsured, or bear risk when it could readily have been transferred to others. Risk management needs to support legal with insurance requirement templates, allocation of risk recommendations, and review agreements for compliance and consistency.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain			BI, PD, F		
Likely					
Possible					
Unlikely					
Rare					
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

J. Acquisitions Outside Current Geography

When acquisitions occur in new markets where no current coverage is in place, it can be difficult to predict insurance placement and pricing. Insurance carrier appetites vary by location and a similar property in a different state may not be able to be insured on the same program. Attention should be directed to a property on-boarding process for such new locations, all of which can be efficiently and effectively put in place.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain		BI	PD, F		
Likely					
Possible					
Unlikely					
Rare					
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

K. Security/Violent Event

Though still extremely rare, violent event situations have become a real concern for many organizations. Violent events are almost always unexpected and can include active shooters, bomb or explosion threats, and riots or civil unrest. Widespread and/or severe property damage, and personal injury to tenants, guests, employees, and bystanders are all possible. Liability of a property owner may be based on alleged lack of security measures, such as no or too few security guards, faulty training, no cameras, no fencing, no key fobs, or unlocked access doors. Typically, physical damage is minor in violent events. However, the 2020 civil unrest in Minnesota resulted in the loss of an entire 89-unit apartment building and illustrates the risk of physical damage arising out of a violent event.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely					
Possible					
Unlikely					
Rare			PD		BI, F
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

L. Leadership Succession

Many enterprises face a talent shortage threat — whereby key institutional knowledge is concentrated in certain individuals whose absence, particularly if they left the organization in close succession, would adversely affect key operations of the organization. This should be recognized with the assistance of the human resources department and addressed accordingly.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely			F		
Possible					
Unlikely					
Rare	BI, PD				
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

M. Insurance Industry Appetite and Capacity

Affordable housing operates in a market segment that is difficult to insure compared to many other industries. Relatively few insurers write business in this class of business, and that number is not currently growing. This lack of competition results in a negotiation imbalance between the insured and the insurer — with respect to all aspects of the transaction, premium, terms, conditions, and exclusions. Umbrella liability insurance has been a difficult line of coverage for years, with price increases easily found in the 100%, 200%, or more range. The greater habitational market is similarly stressed, and umbrella/excess liability insurance will likely continue to be more expensive in the coming years. This is compounded by the fact that insurers are consistently reducing the limits of liability each is willing to offer, resulting in increased premiums for less coverage.

Commercial property insurance has been similarly stressed over the last several years, but this hard market is starting to soften a little. It is a result of numerous factors, including increased frequency and severity of named storm losses, climate change-induced losses (flooding, wildfires), and reduced insurance company investment return on premiums.

Cyber-liability has also been very difficult to place in the last couple of years owing to an increase in claims activity. It is important to have cyber loss control measures in place such as multi-factor authentication.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely				F	
Possible					
Unlikely					
Rare	BI, PD				
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

N. Latent Bodily Injury and Property Damage Claims

Residents can allege long-term exposure to various toxic chemicals/materials, such as cleaning solvents, pesticides, lead, asbestos, benzene, and radon, and hence, the potential for latent, long-term bodily injury exists. Such risks are generally excluded from commercial liability policies. Liability policies placed before 1973 and even 1986 do provide meaningful coverage. Asset acquisition agreements can be drafted to address buyers' rights to predecessor policies, sellers' obligations to retain certain latent injury liabilities if at all possible, and to cooperate with the pursuit of coverage under such historical policies. Historical insurance policies (general liability and umbrella/excess liability) may respond to such claims, and owners and operators should expect to keep all insurance-related files indefinitely, particularly related to older buildings.

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely					
Possible				BI, PD, F	
Unlikely					
Rare					
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

O. Uninsured/Underinsured Exposures

The list of coverages below are common coverages that are frequently purchased with too few limits or not purchased at all:

- Cyber limits of liability are too low
- No coverage for abuse and molestation coverage
- No violent event coverage
- Potential for insufficient property limits of liability
- Insufficient flood limits of liability
- No virus liability coverage
- No pollution liability coverage

PROBABILITY	Insignificant	Minor	Moderate	Major	Critical
Almost certain					
Likely					
Possible				BI, PD, F	
Unlikely					
Rare					
	SEVERITY				

Abbreviation Key: **BI** = Bodily Injury **PD** = Property Damage **F** = Financial Loss

EXHIBIT K: **Insurance Program, Key Coverages**

A. Property Program Structure

Insurance Carrier Placement

Some operators have considered a shared and layered property program as a solution. This is not always an easier way to insure property and does not make adding properties to the program at acquisition a completely easy step. A shared and layered property insurance program can make it difficult for some properties to enjoy a lower property insurance rate, as they may be negatively affected by the use of a solution in place due to factors such as high wind exposure in Florida. While it can be difficult for every property to have a separate policy, operators need to manage the property coverage options along with the inventory of locations.

Operators should be able to confirm:

1. If there are any loan-to-value issues on all properties
2. If the business income values are correct on all properties

Renovation work

Renovation work is not always covered by the property carrier. Coverage is available for purchase by the contractor (via a builder's risk policy), the property owner, or the owner/operator having a property with the remainder of the building with a different insurance carrier. This can lead to claim issues with two carriers responsible for a loss and each pointing the finger at the other. There can also be more than one deductible that applies in these scenarios.

Confirm coverage includes appropriate soft cost coverage and replacement costs for all materials and labor. The general contractor agreements for each project must be reviewed to see if the general contractor or any of its subcontractors were required to purchase builder's risk coverage, whether a waiver of subrogation was included in favor of the contractors, who is to pay for deductibles in the event of a loss caused by the contractor, and if the contractors are to be named on the renovation coverage.

Flood coverage

Confirm there is flood coverage at all locations. Confirm deductibles or NFIP coverage is in place to fill for any large deductibles.

Earthquake coverage

In California, confirm earthquake coverage and that limits in those policies will not be exceeded in the event of a loss.

Margin Clause

If, for example, a policy contains a margin clause (can be 10%-30%), then the policy only provides coverage for the lesser of the loss or the amount scheduled on the statement of values. If the value at time of loss is more than the value listed on the statement of values, the policy will only pay for a 10%-30% error. This is a non-typical limitation put on the policy when the property values are questioned by the carrier. Given the inflation issues today, this could be a significant issue at the time of loss.

Some policies could have occurrence limits of liability clauses. They are specifically seen in shared and layered programs. These limitations may be in some or all of the shared and layered program policies. If there is a loss where the limitation applies, the owner/operator could be underinsured.

Property Data

It is essential that property data on the Statement of Values be correct and complete.

Incorrect square footage, inaccurate unit numbers, and inaccurate cost per unit are some areas where data is important for comparing values, cost per unit, when submitting to the insurance companies.

Mortgage values

Undervalued properties on the Statement of Values can be inaccurate compared to the mortgage amount. While some policies have a blanket limit on the certificate of insurance provided to the bank, this limitation could mean that there will be a gap in the amount of claim payment at the time of loss. For instance, a mortgage balance of $81M on one building on a specific date is inconsistent with the value of $47M shown on the Statement of Values.

Managed Properties

Management agreements should be reviewed to be certain there is a property waiver and to verify property coverage is in place to fully replace the building. An owner/operator does not want to have any financial responsibly for a loss that could potentially be uninsured or underinsured. Reviewing the management agreement and a certificate of insurance to confirm the owner/operator does not have any property coverage responsibility is recommended.

Personal Property

Confirm there is specific contents coverage. If there is a loss at a location insured, will the policy provide coverage for all of the fixtures, furniture and furnishings that are specific to that property? Confirm coverage or change to include the personal property value in the property insurance program.

Business Income

The loss of income for a property is both a loss of rents for the ownership and loss of management fees for the management company.

Property Policies

A shared and layered property program is not generally recommended unless no other options exist. Significant pitfalls typically accompany these program structures. There is administrative inefficiency with a fractured program, and the layers may not have identical terms and conditions. The cost is usually significantly higher as well.

Shared and layered programs often have the following issues:

1. The insured suffers a loss, the insurer evaluates the loss to establish the reserve, and determines the cost to repair or replace is not consistent with the overall building value shown on the Statement of Values. The insured had one carrier pay 20% of the loss, and the next two carriers denied coverage and sued the insured for materially misrepresenting the risk. The insured is out the loss payment, incurred legal costs to seek coverage and defend itself, and had to find alternative insurance coverage. The insured was also required to pay for appraisals for all locations on a go-forward basis.

2. Loss settlement can be delayed as each carrier must approve each progress payment. Claim payments are typically delayed, and occasionally, no insurer will make a progress payment until all carriers agree to an installment as a whole.

3. There is no long-term carrier relationship to leverage, no loss control plan from a carrier who has material risk in the loss, or unclear claim costs discussion between carrier and insured in these programs. A heavy property risk typically works with its carrier frequently throughout the year. A carrier with only a small participation percentage relies on a lead property insurer (the one with a large or the largest participation percentage) for loss control and lacks incentive to commit resources to the program (loss control, safety engineering).

4. Once an insured is in a shared and layered program, it can be a red flag to other carriers that no single market was willing to insure the risk. This can adversely affect the appetite of carriers in the future.

5. This program is placed via a wholesaler, which leads to another party situated between the underwriter and the insured. From a practical perspective, if a deductible changes, or a policy endorsement is needed, that request must pass from the owner to the retail broker, through the wholesalers, and through multi-property underwriters. This typically requires increased administrative time and creates the opportunity for mistakes or misunderstandings. The lack of privity of contract between the owner and the wholesaler bars a breach of contract claim by the owner against the wholesaler if, for instance, a policy is issued incorrectly. The owner's sole recourse may be with respect to the broker even if the broker did not directly commit the mistake.

6. Adding properties mid-term can be difficult in a shared and layered program. In one case, one party had four additions to a program during the policy term. When a fifth addition was needed a week before renewal, the property carrier refused to do so because of the administrative work involved and the exposure of limits in the program for a small amount of premium charged. It is preferred that as many of the properties be insured by the owner's program from the standpoint of controlling the terms, conditions, pricing, claim payments, loss control recommendations, etc.

B. Property Program Structure

It is even more important to have correct named insureds in liability coverages because plaintiffs may sue various entities at the time of loss. The general liability and umbrella policies contain designated premises endorsements in an attempt to prevent overlap of coverage. However, there is no coverage for claims arising from locations other than the designated addresses or related work.

Schedule of Locations

A general liability policy requires that locations be scheduled to the policy for coverage to apply. Not all locations are scheduled to the policy. This can be acceptable if coverage is elsewhere. The location schedule should be reviewed and coverage for each location should be thoughtfully placed. Preferably, the designated locations limitation would be deleted.

Named Insureds

Named insureds are extremely important with liability policies, as there may be no coverage for an entity named in a suit if not properly included as a named insured in the policy, including abbreviations, punctuation, and spelling. If general liability coverage is placed by another party such as investment partners, it would be expected that all the owner's entities related to a property are listed as named insureds on the partners' policies.

Limits

Liability limits could differ from the owner's policy as compared to partners' liability limits, which could range from $25M to $100M. One or more of such investors having higher limits of liability should be expected. Consideration should be given to minimum limit requirements for all properties.

Managed Properties

Often, owners jointly own properties that are insured elsewhere but managed by the owner. Liability coverage can be placed with the partner, which can create a gap or overlap in coverage when included on the owner's liability policy. Liability coverage should either be included in the owner's program, or coverage should specifically only apply to the management company.

Pollution Liability

Pollution coverage is recommended on a per-location basis.

Overlap of Coverage Concerns

The owner should consider purchasing the general liability and umbrella for the properties jointly owned and managed through a management company.

Sexual Abuse and Molestation

Having a specific grant of coverage is recommended.

Assault and Battery

There should be no sub-limit of coverage and there should be confirmation that there is not an exclusion.

C. Structure of the Insurance Program — Retentions

Liability

Other habitational risks utilize a small ($5,000 or less) general liability claims deductible for slips and falls. There could be a reasonable premium savings for taking on this risk.

The following steps are recommended:

- The owner should manage claims internally and obtain options for a self-insured retention that allows for the owner to make claim payments as it deems appropriate, in turn lowering premiums. The property owner is trading dollars with the insurance company and could bear the risk annually with a significant retention that is aggregated if possible.
- Explore deductible and retention options that could reduce the cost of general liability coverage.
- Track claimants in one database in order to cross-check multiple claims by the same claimant and analyze for claim trending.

Property

Property programs should include much higher deductibles where feasible and a study should be undertaken to determine where mortgages may require the purchase of deductibles not to exceed $50,000. There may be other fronted insurance program structures or captives that could satisfy the requirement to have coverage with a $50,000 deductible. Explore options to structure the program with larger retentions.

Workers' Compensation

A deductible should be considered for potential premium savings. An aggregate should be requested in order to cap maximum losses paid by the owner.

EXHIBIT L: **Acquisitions and Divestitures**

Acquisitions

An acquisition process should include a dedicated insurance and risk management due diligence component. Consequently, issues arise post-closing that have adversely affected the insurance program, the acquired property's (financial) performance, and the owner's ability to manage the asset consistent with *pro forma* estimates. Insurance and risk management due diligence would help on pre-closing asset analysis (especially regarding items having financial consequences), post-closing insurance coverage placement and premiums, and overall post-closing property management (costs for loss control, safety engineering, employee training, etc.).

Adopting a red-flag due diligence approach for all material acquisitions is recommended. Such an analysis is typically high-level and would not include maximum probable loss, maximum possible loss, or maximum foreseeable loss estimates — which are routinely calculated by the insurers as part of a broader underwriting, loss control, and loss prevention program. Rather, the red flags work includes a fixed annual insurance premium estimate and a "Go, No-Go" analysis that factors into the acquisition financial *pro forma*.

Key observations regarding risks of loss by not having an insurance and risk management due diligence process component include the following:

1. Property insurance premiums could significantly exceed pre-closing estimates. If the property's replacement cost is not estimated and/or does not correlate well to the purchase price (replacement cost exceeds purchase price) and pre-closing insurance estimates, then costs to add a property may be much higher than anticipated, thereby affecting property financial performance.

2. Miscalculating bodily injury exposures because the prior owner's loss histories are not, and frequently cannot be, obtained. Past performance in terms of loss history may not perfectly predict future loss potential. However, the resident population may remain largely the same post-closing and the possibility of loss may not change much over time (absent extraordinary circumstances).

3. A property insurer could single out an asset, determining it does not fit and thus exclude it from the program. This would then require a standalone policy which will likely have unexpectedly higher rates and/or narrower terms and conditions.

4. A latent property damage condition goes undetected but surfaces post-closing, resulting in unexpected capital expenditures. Notably, obtaining insurance company loss runs pre-closing often exposes loss data that sellers do not disclose.

5. The property carrier will presume that the owner does not understand the property well enough, thereby penalizing it in terms of rating basis.

6. The business income loss exposure is not quantified and insured appropriately.

7. The acquisition team's analysis regarding post-closing property improvements that will be required is not integrated into the property insurance policy underwriting, and the carrier will not benefit from knowing rehabilitation plans and possible risk reductions.

An acquisition due diligence process includes several steps, for instance:

1. Obtain insurance company loss runs whenever possible. They should reflect five — or preferably seven — years of loss history, and should be obtained for several coverages:

    a. Property

    b. Boiler and machinery (i.e., equipment breakdown)

    c. General liability

    d. Umbrella liability and excess liability

    e. Flood and excess flood

    f. Environmental property damage

    Loss runs generated by a broker or the owner/seller should be avoided if possible.

2. Obtain three years of insurance company or broker-prepared loss control and safety engineering risk reports for the property. These show various human element and physical property issues, corrective measures recommended or required, and implementation cost estimates and risk-reduction amounts (return on investment estimates).

3. Obtain or develop as much building data as possible. The insurance industry refers to this as COPE data (construction, occupancy, protection, and environment). The more complete and accurate the COPE data, the more accurate the premium projections and loss control engineering cost estimates. Property condition assessments can be very useful starting points.

4. Have a loss control or risk management professional tour the facility and obtain or create a video/photograph record.

5. Review the property's financials to discern insured and uninsured loss payments and reserves, historical policy premiums, and contingent liabilities relating to the property (potential environmental hazards and insurance needs).

6. Review Phase I and Phase II environmental reports relative to the property itself, future insurance needs, and lender/investor requirements. Discuss potential environmental insurance needs with the environmental acquisition professional.

7. Review litigation history related to the property and owner.

8. Review police and fire department reports for the property and neighboring properties.

The insurance and risk management due diligence exercise need not be exhaustive or overly time consuming. A standardized process and reporting format are essential.

EXHIBIT M: **Development & Construction**

Construction and renovation constitute a significant part of affordable housing operations. The construction services industry is one of the most dispute-ridden industries. Loss exposures are many, diverse, complex, and expensive. Construction-related operations bear the dubious distinction of having higher-than-normal probability of losses occurring, and being severe and expensive. Litigation almost always ensues for any mid-sized loss or liability situation.

Fortunately, most construction risks are insurable. This assessment did not include insurance policy analysis so the consultants cannot opine on how and to what extent any one operator may be insured for these loss exposures. To be sure, a review of the various policies *vis-à-vis* construction contracts can confirm the allocation and transfer of risk. Policies of concern include general liability; umbrella and excess liability; builder's risk; commercial property; commercial auto; riggers' liability; contractors' pollution liability; and critical, specific additional insured endorsements, for these and numerous other policies — whether purchased by the operator or by counterparties (*e.g.*, joint venture partners, general contractors, or construction managers).

The single greatest risk regarding most construction is the unknown quality and extent of risk transfer and risk treatment. When there is no system in place to track and identify contract terms, insurance compliance with contract terms, or indemnity and risk management contract standards, it is unclear who bears the risk of loss for slips, trips, falls, environmental contamination, design defects, and so on.

Typically, operators do not have well-vetted standard construction template documents; the American Institute of Architects' base forms are not considered ready-to-use templates favoring operators. The interplay of project documents and project insurance is immensely greater than other third-party contract relationships.

Unlike much of the operator financial operations that are comparatively inelastic and can be managed in a more routine, predictable risk management fashion, construction activities give rise to many unique, diverse, complex, and potentially severe loss exposures — such as employee injury or death, building collapse, environmental, and business income/business interruption.

The financial consequences of construction loss are often disproportionate to the activity or service in question, and estimated project profit margins. For instance, architect or other design professional fees in the 6% to 12% range of project cost do not correlate with the loss exposure borne out of faulty professional services. This is compounded by the fact that most architectural and engineering agreements have limitations of liability clauses favoring the design professional, that design professionals routinely purchase low limits of professional liability insurance, and that rarely is a construction defect solely caused by just a construction team member or a design team member.

The following steps are recommended to determine coverage, gaps, compliance, and overall risk transfer:

1. Review a sample set of current project construction documents relative to the ostensibly applicable insurance policies in force. Determine the level of compliance and risk transfer.
2. Review a sample set of **current** builder's risk policies.
3. Establish template construction/renovation contract risk management, insurance requirements.
4. Establish a set of guidelines for coverage placements; builder's risk, contractors' pollution liability, riggers' liability, etc.

5. Review a sample set of **current** general contractor liability policies.

6. Review a sample set of **current** construction manager liability policies.

7. Review a sample set of project certificates of insurance and additional insured endorsements.

8. Establish a construction cost of risk tracking system.

These recommendations are made with the understanding that the operator's renovation work is diverse, and includes situations in which the operator leads and others in which the joint venture partner oversees third-party construction contracting. In short, one size or one contract model will not fit all situations.

Policy Toolkit

Enterprise

Policy Toolkit

Policy Framework and Strategic Priorities

The insurance crisis affecting affordable housing requires comprehensive policy intervention at both federal and state levels. Unlike market-driven solutions that individual operators can implement, policy solutions require coordinated advocacy, legislative action, and regulatory reform across multiple jurisdictions. The complexity of insurance regulation, which occurs primarily at the state level (while affordable housing policy involves significant federal components), necessitates a sophisticated approach that addresses multiple policy domains simultaneously.

Policy solutions should be evaluated based on their potential to achieve three primary objectives: attracting insurance carriers back to markets they have abandoned or avoided, creating incentives for carriers to offer lower premiums through risk reduction or regulatory improvements, and promoting accountability and transparency in insurance pricing and coverage decisions. Each solution should be assessed for its feasibility, potential impact, and timeline for implementation, recognizing that some changes can be achieved relatively quickly while others require sustained advocacy over multiple years.

The current policy landscape presents both challenges and opportunities. Many states are recognizing the severity of the insurance crisis and are showing willingness to consider reforms that were previously politically difficult. Federal policymakers are increasingly aware of the connection between insurance availability and housing affordability, creating opportunities for coordinated federal initiatives. However, the insurance industry's political influence and legitimate concerns about regulatory overreach require careful policy design that balances consumer protection with market stability.

Federal Policy Solutions

Federal Reinsurance Backstop

The development of a federal property insurance backstop program represents one of the most significant opportunities to improve insurance availability and affordability for affordable housing operators. This program, modeled on the Federal Deposit Insurance Corporation (FDIC), would provide a federal reinsurance layer that would address the volatility of costs stemming from reinsurance markets by sitting between insurance companies and reinsurance companies. In regular markets, the backstop entity would sell into the reinsurance market to offload risk, but in tight markets, it could retain risk to reduce pressure on insurance costs. Drawing on the FDIC model, it could be funded by a small fee on all policies and would have the ability to be both pre- and post-funded, allowing it to build up reserves to pay for losses and to be paid back for any losses over a long time period.

Affordable Housing Catastrophe Risk Insurance Program

A property-or portfolio-level program could be created at the federal level to operate as a voluntary system where affordable housing operators could opt for higher commercial insurance deductibles in exchange for federal coverage of losses above a specified attachment point. For example, an operator might choose a $500,000 deductible on their commercial property insurance while purchasing federal property coverage that would pay losses between $50,000 and $500,000. This structure would allow operators to benefit from the premium savings associated with higher deductibles while maintaining protection against losses that would be financially devastating.

The program's financial structure should be designed to be self-sustaining over time through premium collections, while providing immediate relief to operators facing unaffordable insurance costs. Based on Enterprise's analysis, operators could potentially achieve premium savings of 15% or more while maintaining comprehensive coverage. For a portfolio with $100 million in insured values, this could represent annual savings of $50,000 or more, funds that could be reinvested in property improvements or additional affordable housing development.

The program would be particularly beneficial for the real estate sector because current lending requirements often mandate low deductibles that are inconsistent with broader commercial insurance market trends. Fannie Mae and Freddie Mac guidelines typically limit property insurance deductibles to $50,000 or less for properties under $10 million in value, while similar commercial properties in other sectors routinely carry deductibles of $250,000 to $2 million or more. The federal insurance program would allow affordable housing operators to access the premium savings associated with higher deductibles while satisfying lender requirements for comprehensive coverage.

Implementation of this program would require careful coordination between multiple federal agencies including HUD, the Treasury Department, and potentially the Federal Emergency Management Agency. The program should include provisions for risk-based pricing that encourages property improvements and sound risk management practices, coordination with existing federal programs to avoid duplication or conflicts, and periodic review and adjustment to ensure long-term financial sustainability.

Examining Existing Federal Insurance Programs as a Framework

While existing federal programs such as the National Flood Insurance Program (NFIP) and the Terrorism Risk Insurance Act (TRIA) offer important insights into how public policy can stabilize high-risk insurance markets, they are not necessarily the most suitable frameworks for addressing the insurance challenges facing affordable housing. Each program was created to respond to distinct and narrowly defined risks, and those risks differ fundamentally from the multifaceted, recurring pressures driving premium escalation in the housing sector.

Lessons from NFIP

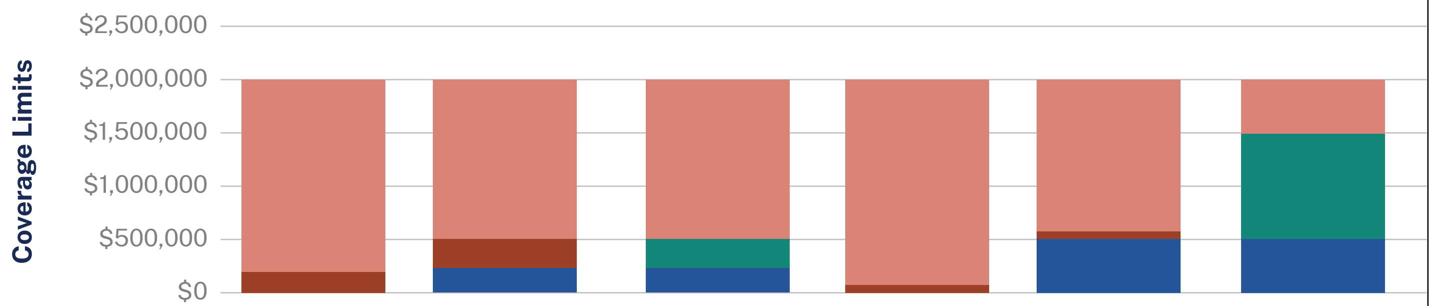
The NFIP provides a federal backstop for flood risk by absorbing a defined layer of losses and facilitating the availability of private excess coverage. The program has been instrumental in ensuring that homeowners and businesses in flood-prone areas can access basic flood insurance coverage, typically at lower cost than private market alternatives. However, the NFIP has also faced long-term financial and operational challenges, including actuarial imbalances, outdated flood mapping, and uneven participation rates. These structural issues underscore the difficulty of maintaining affordability while ensuring fiscal soundness, which advocates could use to inform, but not dictate, any potential framework for affordable housing, including the federal reinsurance backstop model noted before this section.

Lessons from TRIA

By contrast, Congress enacted the Terrorism Risk Insurance Act to address a specific form of low-probability, high-impact catastrophe — a “black swan” event that could destabilize entire insurance and capital markets. The TRIA functions as a federal reinsurance backstop that activates only in the aftermath of an extreme, unforeseen event. This model has proven effective for its intended purpose but is poorly suited to the persistent, geographically widespread perils — such as climate-related natural hazards, construction cost inflation, and liability exposure — that are driving current premium increases for affordable housing. These risks are chronic, predictable, and cumulative, requiring a different approach to risk management and financial stabilization.

A federal intervention to support insurance access and affordability in the affordable housing sector should therefore be informed by but not modeled after the NFIP or TRIA. Such a model would need to reflect the unique financial, regulatory, and mission-driven characteristics of the affordable housing industry, prioritizing predictability, sustainability, and affordability over short-term price suppression or reliance on crisis-driven federal intervention.

Flood Coverage Examples



	Homeowners	Homeowners	Homeowners with Excess Flood	Commercial	Commercial	Commercial with Excess Flood
Uninsured	$1,800,000	$1,550,000	$1,500,000	$1,950,000	$1,450,000	$500,000
FEMA	$200,000	$200,000	$-	$50,000	$50,000	$-
Commercial Insurance	$-	$-	$250,000	$-	$-	$1,000,000
NFIP	$-	$250,000	$250,000	$-	$500,000	$500,000

Given the availability of NFIP, the example above shows a $2M homeowner or commercial building and the financial responses that could be available in the event of a loss.

Grants and Financial Tax Incentives for Resilience Retrofits

Federal grant programs and tax incentives represent some of the most direct and effective methods for reducing insurance costs while simultaneously improving property safety and resilience. These programs can create a virtuous cycle where federal investment in property improvements reduces risk, which in turn reduces insurance premiums, freeing up resources for additional improvements or expanded housing services.

Policymakers should ensure that resilience investments translate into measurable insurance savings. States can require insurers to consider verified mitigation improvements in rate filings or offer premium credits for properties that meet resilience or building-hardening standards. At the federal level, agencies like HUD, FEMA, and FHFA could collect and share data demonstrating how mitigation reduces losses, helping align insurance pricing with on-the-ground resilience efforts.

Expanding FEMA's Building Resilient Infrastructure and Communities (BRIC) program to include multifamily housing would be useful; however, it is important to note that at the time of this publication, the future of this program is unclear. In April 2025, FEMA announced it was ending BRIC and cancelling applications from FY2020–FY2023; the FY2024 BRIC Notice of Funding Opportunity was also cancelled. However, 20 states sued, and a federal judge temporarily blocked the Administration in August 2025, ruling that the funds cannot be reallocated until the state lawsuits are resolved. As of October 2025, FEMA has indicated it is developing a "new approach to mitigation" and clarified some treatment of in-progress projects, but has not restarted BRIC awards.

Current legislative proposals provide excellent starting points for expanded grant programs. The *FIREWALL Act* (**S. 1323**) would provide federal tax credits of up to $25,000 for households earning under $200,000 to fortify their homes against natural disasters using fire-resistant materials, stormwater barriers, and vegetation removal. While currently focused on individual homeowners, this bill could be expanded to cover affordable housing properties, with credits scaled to reflect the multi-unit nature of these properties.

The *Disaster Resiliency and Coverage Act* (**H.R. 1105**) would establish a federal disaster mitigation grant program providing up to $10,000 for mitigation projects, exclude state disaster mitigation grants from taxable income, and offer a 30% tax credit for qualified risk reduction activities. As with the *FIREWALL Act*, this program framework could be expanded by specifically tailoring it to affordable housing operators, with higher grant limits reflecting the scale of multifamily properties and the public benefit they provide.

To maximize effectiveness, federal grant programs should include pre-negotiated insurance credits that operators can expect to receive for specific improvements. For example, installing impact-resistant windows might guarantee a 5% premium reduction, while comprehensive fire suppression systems might provide 10% savings. This approach would provide certainty for operators considering improvements and ensure that federal grant investments translate into ongoing operational cost savings.

Grant programs should also prioritize improvements that address multiple risk categories simultaneously. Roof replacements using impact-resistant materials can reduce both wind and hail damage while improving energy efficiency. Drainage improvements can address both flood risk and foundation stability. Security enhancements including lighting, cameras, and controlled access systems can reduce both liability and property crime exposures.

The design of grant programs should recognize the unique characteristics of affordable housing financing and operations. Many affordable housing properties operate under complex financing structures involving multiple funding sources and regulatory requirements. Grant programs must be designed to work within these constraints, with streamlined application processes that don't require operators to navigate conflicting requirements from different funding sources.

Increase Regulatory Flexibility for Project Underwriting

One significant barrier to reducing insurance costs in the affordable housing sector is the restrictive insurance requirements imposed by lenders, particularly Fannie Mae and Freddie Mac. While these agencies play a critical role in financing affordable housing, their insurance guidelines often exceed standard commercial industry norms. Agency requirements may cap deductibles at a fixed dollar amount or percentage of insured value — often well below what is commonly purchased in the open market. This constraint forces property owners to buy lower-deductible policies, which typically come with higher premiums. A good example is property insurance deductibles. For properties with a replacement cost value of less than $10 million, the maximum allowable property insurance deductible by Freddie Mac is $50,000. One affordable housing operator could have a large portfolio of individual properties like this which are insured under the same blanket policy and without the lender requirement, it may be more economical to purchase a policy with a $250,000 deductible, and set money aside to pay for losses. In a hard insurance market where rates are already climbing, these mandates further limit flexibility and can significantly increase operating costs for housing providers.

Relaxing or modernizing these insurance requirements would greatly improve access to more economical coverage options, allowing providers to make strategic risk decisions based on their portfolio, financial strength, and loss history. For example, allowing higher deductibles paired with aggregate limits — where deductibles apply across the entire portfolio rather than per property — could reduce premium costs without materially increasing financial risk to lenders. Likewise, expanding acceptance of alternative insurance models such as captive insurance companies, risk retention groups, and insurance pools would allow affordable housing operators to access group purchasing power, tailor policies to specific risks, and retain some risk while transferring catastrophic exposures to reinsurers. These models are widely used in other sectors, including healthcare, education, and government, and could offer the affordable housing industry a more sustainable path forward if accepted by agency lenders.

Furthermore, encouraging customizable coverage frameworks — where housing operators demonstrate financial prudence through enhanced risk management, adequate reserves, or participation in well-regulated insurance structures — would strike a better balance between lender protection and operator flexibility. For instance, operators participating in a housing-specific insurance pool or captive with third-party actuarial oversight could be granted broader leeway on deductible structures or coverage terms. This shift would not only lower costs and attract more insurers into the affordable housing space, but also reduce the administrative burden of fitting diverse housing portfolios into one-size-fits-all coverage requirements. For Fannie Mae and Freddie Mac, the benefit would be more resilient, better-insured properties and financially stable borrowers — without increasing exposure to loss. Aligning insurance requirements with real-world market conditions is a key step toward restoring competition, affordability, and innovation in how affordable housing providers manage risk.

States that allow carriers to use risk-specific sub-limits, exclusions, or other risk management tools may retain more carrier participation than states that mandate full coverage for all risks. However, property owners may still face residual exposure, particularly when lenders or investors require higher coverage, which can force owners to purchase additional policies at elevated cost.

Market competition can be enhanced through regulatory practices that encourage new entrants while maintaining appropriate consumer protections. This includes streamlined licensing for financially strong carriers, flexibility for new products or coverage approaches that benefit consumers, and regulatory approaches that balance innovation with consumer protection.

Federal Tort Claims Act (FTCA-like) Solution

The extension of Federal Tort Claims Act (FTCA) protections to federally funded affordable housing providers represents another significant opportunity to improve insurance availability and reduce costs. Under current law, tenants, contractors, and other third parties can sue affordable housing providers directly in state courts, exposing operators to potentially unlimited liability and unpredictable legal costs. An FTCA extension would redirect certain categories of claims to the federal government, providing more predictable liability exposure and reducing the uncertainty that deters insurance carriers from writing coverage.

This approach has precedent in other sectors serving the public interest. Under the Federally Supported Health Centers Assistance Act, patients at federally qualified health centers cannot sue individual healthcare providers directly but must pursue claims against the federal government through an administrative process. Similar protections exist for other industries including vaccine manufacturers under the National Vaccine Injury Compensation Program and certain aviation-related claims under post-9/11 security legislation.

For affordable housing, an FTCA extension could cover specific categories of claims such as those arising from federally mandated accessibility requirements, claims related to federal program compliance, and potentially certain categories of premises liability claims for properties receiving federal funding. This protection would not serve as a complete liability shield but would provide a structured claims process that offers more predictable costs and resolution procedures.

The benefits of an FTCA extension would go beyond immediate liability cost reduction. By capping and redirecting certain liability exposures, the program would make affordable housing operators more attractive to insurance carriers, potentially increasing market competition and reducing premiums. Lower insurance costs would translate directly into reduced operating expenses, allowing more resources to be devoted to housing services and property maintenance rather than insurance premiums.

Implementation would require careful balance between providing meaningful protection for operators and maintaining appropriate accountability for tenant safety and property management. The program should include clear standards for property management and maintenance, procedures for handling claims efficiently and fairly, and provisions for operators to maintain coverage for exposures not covered by the federal program.

Transparency Requirements

New or reformed federal legislation aimed at increasing transparency requirements for insurance companies could have a significant impact on trust and fairness in the insurance marketplace, particularly for sectors like affordable housing that rely heavily on predictable costs and clear coverage. Mandating greater disclosure around how premiums are calculated, how underwriting decisions are made, and how claims are evaluated and paid would help demystify processes that are often opaque to policyholders. For example, requiring insurers to provide detailed justifications for rate increases, or standardized explanations when coverage is denied or limited, could allow affordable housing providers to make more informed decisions and reduce the likelihood of disputes or litigation over perceived unfair treatment.

Such legislation could also include standardized reporting and benchmarking of claims settlement practices and loss ratios, which would allow policyholders — and regulators — to identify whether certain carriers or markets are acting consistently and in good faith. Over time, this kind of transparency could promote healthier competition, discourage unfair or discriminatory practices, and build long-term trust between insurers and insureds. By reducing the friction and mistrust that often lead to legal challenges, enhanced transparency measures would not only improve the experience for housing operators but also encourage more insurers to participate in difficult markets by leveling the playing field and reinforcing best practices across the industry.

State-Level Solutions

With the insurance marketplace being primarily regulated at the state level, governors, legislators, and insurance commissioners have many levers at their disposal to design incentives and requirements that ultimately help reduce the frequency and severity of claims, expand the pool of participating carriers, and decrease premiums.

Insurance Captives for Affordable Housing

As discussed in the Practitioner Toolkit, the establishment of insurance captives in which multiple owners of multifamily housing pool their risk and purchasing power may be a short- to medium-term strategy for affordable housing operators to stabilize insurance costs while improving coverage availability. Captives are alternative risk-financing structures in which the insurance carrier is owned by the policyholders themselves rather than shareholders as with traditional carriers. This model allows providers to collectively insure risks that may be prohibitively expensive or poorly covered in the traditional insurance market. Captives allow providers to pool their collective risk and may create a pathway for purchasing more affordable policies. The risks and benefits of captives are discussed in greater detail in the "Challenges" section of this brief.

Creating new captives can be costly and challenging, and may require public, private or philanthropic support. State lawmakers can support the formation and capitalization of captive arrangements through laws, grants, or incentives that promote and scale this solution, where appropriate, by providing seed capital or helping to offset setup costs until the captive becomes profitable.

The Housing Partnership Network (HPN) operates one of the longest-standing and largest affordable housing captives in the country. The **Housing Partnership Insurance Exchange** provides property and casualty coverage to its members to help mitigate pricing fluctuations in the market. The captive provides coverage to more than 85,000 units across 23 organizations dedicated to affordable housing. The HPN model has reported **outcomes** in the form of cost controls, reduced premiums, and overall risk reduction.

The **Milford Street Association** in New York launched an insurance captive in 2024 in response to **soaring insurance premiums across the state**, particularly for affordable housing providers who utilize public financing. While still in the early stages, this captive promises to provide pricing stability and affordable coverage. The Milford Street Association recently received a $2 million loan from the State of New York to assist with the captive's launch, demonstrating how states can invest in innovative local models.

Government and public sector solutions, such as risk pools or government-backed reinsurance programs, can help manage and bear the catastrophic risks that insurers are reluctant to cover. These public-private partnerships could help balance the need for commercial affordable insurance with the reality of high-risk areas, ensuring that affordable housing remains insurable even in the most vulnerable regions.

Financial Incentives for Home Hardening and Other Risk Reduction Modifications

Publicly funded grant programs offer a vital opportunity for states to help affordable housing providers make meaningful property improvements that enhance sustainability and resilience while reducing risk exposure for carriers. These programs can be leveraged to retrofit older buildings with resilient, weather-resistant, energy-efficient systems that reduce exposure to perils such as fire, flood, and severe weather. These upgrades can include wind-resistant shingles, impact-resistant windows, fire-resistant roofing, and flood barriers. Importantly, they can create strong incentives or requirements for insurance carriers to provide discounts to providers with modifications, particularly in regions vulnerable to natural disasters.

Home hardening initiatives, like California's Wildfire Mitigation Program and FEMA's Hazard Mitigation Grant Program, have demonstrated the value of proactive risk management. These programs promote the use of materials and designs proven to reduce losses during catastrophic events. Updated building codes in hurricane-prone states, such as the Florida Building Code's (FBC) windstorm standards, have also shown how prescriptive measures can significantly reduce damage and insurance claims. Florida updates the FBC every three years in order to follow changing climate patterns. Affordable housing properties that adopt similar improvements not only safeguard residents and assets but also become more attractive to insurers. By reducing the probability and severity of losses, these measures make properties more insurable and can result in lower premiums, broader coverage, and greater carrier participation.

Improved risk profiles are not just a benefit to the property owner — they also enhance the insurance ecosystem. When affordable housing communities are well-protected, insurers are more inclined to offer coverage at competitive rates because their exposure to catastrophic losses is reduced. This creates an economic incentive for insurance carriers to extend credits or pricing advantages to properties that invest in mitigation strategies. For example, flood barriers, upgraded drainage systems, reinforced roofs, and defensible space against wildfires can all contribute to underwriting credits. Liability-related enhancements — such as better exterior lighting, surveillance systems, and controlled access — can also lead to favorable terms by decreasing trip, slip, and fall or criminal activity claims.

Ultimately, these improvements contribute to a more sustainable and financially stable affordable housing operation. Because many affordable housing projects rely on public financing to operate, reducing insurance premiums and minimizing loss events can directly reduce their operating burdens. This not only stretches public funding further but also ensures long-term viability for affordable housing providers. Strategic use of grants for risk and sustainability upgrades is therefore not just a sound investment in safety — it's a pathway to economic efficiency and greater resilience across the affordable housing sector. If and when new grant programs are enacted, the framework could also include pre-defined credits to be offered by insurers participating in that state's insurance market so that the return is clearly known. Additional consultation is necessary to determine the structure of such a program and what markets or states have adequate political and enabling environments to make this a viable option.

Many states have moved to implement such programs, including:

- **Alabama:** In 2011, state lawmakers **established** the **Strengthen Alabama Homes Program** which has since assisted thousands of homeowners in roofing retrofits to help structures withstand hurricanes and other natural disasters. The program provides up to $10,000 in grants on a first-come, first-served basis for the installation of an IBHS FORTIFIED roof, qualifying the owners for discounts on the wind portion of their homeowner's insurance policy.
- **Colorado:** The state's Division of Insurance led passage of a law (**HB25-1182**) requiring insurers that use wildfire or catastrophic risk models to be more transparent about the details of those models, and that those models take into account risk-mitigation efforts by property owners and communities. Insurers must also now make clear the specific activities that property owners, including owners of multifamily residential properties, can take to mitigate these risks, and what level of discounts or rebates owners can expect in exchange for those modifications. The Division of Insurance led another policy proposal in 2025 that would have established the "strengthen Colorado homes" enterprise to administer grants to defray homeowners' cost of installing roofs resilient to common weather events (**HB25-1302**). While this effort did not pass, legislators will attempt to pass a different version in 2026.
- Other states have established similar programs tying financial incentives, home hardening and premium discounts together. While most programs apply to single-family homes, their successes could serve as a model for reducing insurance premiums in multifamily affordable housing developments:
    - Louisiana: **Act No. 554** and the **Louisiana Fortify Homes Program**
    - Minnesota: **HF 2300** and the **Strengthen Minnesota Homes Grant Program**
    - Oklahoma: **HB 3089** and the **Strengthen Oklahoma Homes Program**
    - South Carolina: **H 3746** and the **SC Safe Home Mitigation Grant Program**
    - Kentucky: **HB 256** and the **Strengthen Kentucky Homes Program**
    - Florida: **HB 1029** and the **My Safe Florida Condominium Pilot Program**

Emergency Operating Relief for Providers

In response to the multiple operating pressures facing affordable housing providers — economic vacancies, dwindling public funds, and skyrocketing insurance costs — some states and local jurisdictions have allocated resources to shore up the most vulnerable providers. Both state and local governments can act as a temporary bridge until the effects of other legislative reforms take hold.

Minnesota was one of the first states to recognize the financial pressures facing affordable housing providers and in 2023 created the Stable Housing Organization Relief Program (SHORP), a $50 million grant program for nonprofit, state-based housing providers. Similarly, in 2024 Washington state included $5 million in its supplemental operating budget to provide short-term operating relief for affordable housing providers facing elevated insurance and other cost pressures.

In the District of Columbia, the local government committed to a sweeping set of investments through the FY 2025 budget, which includes approximately $1.1 billion in local funding for affordable housing. While this broader budget does not isolate the exact sum for "operating relief," it signals strong institutional support for stabilizing the sector.

These programs illustrate how emergency relief mechanisms can provide critical support for affordable housing operators dealing with near-term cost shocks, including escalating insurance premiums. By stabilizing operations today, such measures help preserve housing affordability while longer-term solutions (such as insurance market reform or regulatory changes) are implemented.

Tort Reform

In certain states with high levels of litigation activity, policymakers and industry participants have identified tort reform as one potential approach to improving insurance market stability and reducing costs for housing operators. While the impacts of these reforms vary, legal environments that allow for unpredictable liability exposure, large damage awards, or procedural imbalances are often cited by insurers as factors influencing underwriting decisions and market participation. Comprehensive tort reform measures are being considered across the country, with measures seeking to respond to insurance market pressures, ranging from caps on non-economic damages, curbing nuclear verdicts through evidence and jury instruction reforms, and reforming premises liability and phantom damages practices with a stated goal of creating greater predictability in loss outcomes.

Georgia's experience illustrates the challenges facing insurance markets in states with problematic legal environments. In 2024, the American Tort Reform Foundation named Georgia the worst state to operate in due to its persistently aggressive litigation climate and escalating jury awards. In 2025, the Georgia legislature took up tort reform legislation and ultimately passed SB 68 and SB 69 of 2024, which the governor signed into law, changing the standard for premises liability and creating new limitations on litigation financing. Whether these changes reduce insurance pricing for multifamily owners remains to be seen, but more carriers may be inclined to operate in the state in a more predictable environment.

Repeated hurricanes and costly lawsuits also pushed Florida's insurance market into crisis, driving premiums to record highs, which has been widely watched in the industry as a bellwether. In response, Senate Bill 2-A (2022) and House Bill 837 (2023) banned assignment of benefits, reformed attorney-fee rules, shortened claim deadlines, limited suits against insurers, and expanded immunity for property owners. Since then, 17 new insurers have entered the market, and Citizens Property Insurance, the state-backed insurer of last resort, has cut its policy count by 36%. Premiums remain high, but early signs show the market is stabilizing.

Likewise, Louisiana has also experienced significant insurance challenges, particularly following a series of hurricanes from 2020 to 2023, which resulted in approximately $23 billion in claims and over 12,000 lawsuits. Some observers have noted that the state's "bad faith" laws, which require claims to be paid within 30 days or face penalties of up to 50%, may contribute to higher perceptions of market risk and therefore market instability. Proposed reforms in Louisiana have focused on extending claim resolution timeframes to allow for proper investigation, limiting penalties for good faith coverage disputes, and establishing clearer standards for bad faith claims.

New York's Scaffold Law (Labor Law Section 240) imposes strict liability for gravity-related injuries, leaving contractors and employers defenseless even in cases of worker negligence. A piece of federal legislation, the *Infrastructure Expansion Act* (**H.R. 3548**), would preempt this law for projects receiving federal funding, but broader state-level reform would provide more comprehensive relief. New York's thrice-vetoed ***Grieving Families Act***, which would expand the definition of close family members and allow unlimited noneconomic damages, continues to be debated and there are concerns that it may worsen New York's insurance climate if enacted.

Tort reform initiatives should be carefully designed to maintain appropriate protections for legitimately injured parties while eliminating abusive practices that drive up costs for everyone. Effective reforms typically include reasonable caps on non-economic damages, limits on attorney fees in certain cases, and requirements for expert testimony in complex liability cases. Evaluation of these reforms should not only consider premium impacts but the impact on access to justice and housing affordability.

Anti-Discrimination Protections and Fair Access

In some neighborhoods, owners have been raising concerns about "insurance redlining," a practice by which insurance carriers ask questions about neighborhood characteristics that could be a proxy for the race or other demographics of a building's residents. Practitioners report that some insurers routinely inquire about the residents of affordable housing, such as the percentage that utilize Section 8 vouchers or the types of activities that residents engage in. While it is legal in most states to ask these questions and insurers can underwrite based on legitimate risk factors, they cannot legally impose discriminatory treatment based on protected characteristics (like race, ethnicity).

It is also common in some areas for carriers to utilize third-party **crime scores** to determine their risk exposure. This may increase liability insurance premiums for multifamily properties located in neighborhoods with high crime scores — often areas where affordable, subsidized properties are located. This poses a special problem for the nonprofit sector, whose mission compels them to invest in all types of neighborhoods but may result in taking on a disproportionate share of insurance costs relative to the broader multifamily industry.

Some states have enacted laws or regulatory frameworks that restrict or penalize discriminatory underwriting practices, including use of demographic proxies. California, for example, prohibited discrimination in insurance that could be construed as a proxy for race or other protected classes under Proposition 103. This includes protections from pricing differentials based on income sources such as Section 8 housing vouchers.

In response to complaints of discrimination, New York **recently prohibited** insurers from asking whether a property is affordable housing on applications including whether residents utilize Section 8 vouchers, promoting fairer access to coverage. This measure represents positive progress toward ensuring fair access to coverage. Continued monitoring and enforcement of these measures' implementation and effectiveness will be important for determining whether additional anti-discrimination protections are needed.

Data Collection and Transparency

Insurance carriers are required to submit various data reports to each state's insurance commissioner on a regular basis determined by its jurisdiction. In response to affordable housing advocates' growing concerns about transparency and potential discriminatory practices by the insurance carriers — such as redlining — a few states have initiated individual data requests to better understand market behavior.

However, these one-off efforts are often inefficient and may fall short of delivering the comprehensive insights regulators and consumers seek. A more effective approach would be to implement a systemwide, standardized data collection framework. Such a model would not only streamline reporting for insurance carriers but also enhance transparency, accountability, and regulatory oversight across the industry.

A unified system could help identify trends, ensure fair practices, and build trust between insurers, regulators, and the communities they serve. The National Association of Insurance Commissioners' (NAIC) Financial Data Repository (FDR) is a centralized warehouse of financial data to be used primarily by state regulators as well as other policymakers and academics for further research as to how to progress with transparency may be properly addressed with the FDR in mind.

Further analysis of existing NAIC data may reveal opportunities to extract more actionable insights without requiring entirely new reporting mandates of insurance carriers in each state. While additional data collection could enhance transparency, it is possible that more detailed breakdowns of currently available information — such as by state or Standard Industrial Classification code — may already exist and yield valuable observations. Additional reporting may be necessary; however, if there are key observations that could be made between the data that is already collected, there could be incentive for both the insurance company and the state to make changes in data required to be collected. Currently, insurance companies report data on a combined basis, which limits their ability to assess performance by class of business or to benchmark against competitors. This lack of granularity may lead insurers to avoid certain segments, such as affordable housing, due to perceived risk rather than actual performance data.

For example, if a carrier avoids underwriting affordable housing risks due to a conservative approach, access to disaggregated, state-by-state data might reveal profitable opportunities within this segment. This could incentivize insurers to reconsider their strategies, potentially increasing competition and improving access to coverage for affordable housing providers. Encouraging insurers and regulators to collaborate on refining data collection practices could thus benefit both the industry and the communities it serves.

In order for data collection efforts from both carriers and operators to get off the ground, stakeholders must have confidence that their individual data will not be accessible to competitors or outsiders. This can be achieved through the implementation of robust "firewalls" within the data architecture. These firewalls would segregate and anonymize carrier-specific data, allowing for aggregated insights and benchmarking metrics to be shared without revealing the identity or detailed performance of any single entity.

Working with state insurance commissioners through NAIC represents one of the most effective approaches for improving data transparency and market oversight. NAIC's FDR provides a foundation for enhanced data collection, but additional reporting requirements specific to affordable housing could significantly improve market understanding and policy development.

Legislators also have considerable power to facilitate transparency and reporting. In 2025, California's governor signed into law **AB 1339**, which would require the state's department of insurance to conduct a comprehensive study on the availability, cost, and coverage of insurance for affordable housing providers throughout the state. The goal is to improve transparency and strengthen data collection efforts, laying the groundwork for more informed policy responses and ensuring fair and affordable access to insurance.

Enhanced data collection should focus on disaggregating currently combined reporting categories to allow analysis of affordable housing performance separately from other habitational risks. This would enable carriers to identify profitable opportunities within the affordable housing sector while providing regulators with better information about market conditions and pricing practices.

Data enhancement efforts should include standardized definitions for affordable housing properties that can be applied consistently across different state regulatory systems, reporting requirements that capture both financial performance and risk characteristics of affordable housing portfolios, and provisions for making anonymized data available to researchers and policy advocates for analysis.

State insurance commissioners should also consider enhanced oversight of algorithmic bias in underwriting decisions that might discriminate against affordable housing properties. This could include requirements for carriers to audit their underwriting algorithms for discriminatory outcomes, reporting of underwriting decision patterns that might indicate bias, and corrective action requirements when discrimination is identified.

Mandated Insurer Participation in High-Risk Areas

State insurance regulatory practices significantly impact carrier willingness to write coverage in specific jurisdictions. Some states have regulatory environments that encourage insurer participation and market competition, while others create barriers that drive carriers away and reduce coverage availability.

States can take steps to mandate insurer participation in designated high-risk zones where homeowners may not otherwise have access to policies. In such areas that insurers have often fled, they may be enticed to return, particularly if the state has taken proactive measures to: (1) reduce the frequency and severity of loss, and (2) protect against catastrophic losses.

In 2023, officials in California reached an agreement with major insurance carriers requiring them to write new policies in wildfire-prone areas as a condition for rate increases. Under the deal, carriers must issue coverage in those high-risk zones equivalent to at least 85% of their statewide market share. The goal of the agreement was to reverse widespread pull-backs by insurers following devastating wildfire-driven losses. While the program has contributed to increased private-market activity, critics argue that the designated "distressed" areas do not always align with the highest-fire-risk communities — and that the state's insurer of last resort, the California Fair Access to Insurance Requirements (FAIR) Plan, has continued to absorb large growth in homeowners, indicating the private market has not yet fully recovered.

California's policy is specific to homeowners; however, it does offer valuable lessons and data on how it can be improved and effectively applied to multifamily housing. For instance, states that pair participation requirements with strong financial incentives and risk-reduction strategies may restore carriers' participation in high-risk markets and prevent gaps in coverage. Those approaches could include home hardening activities — such as grants that upgrade properties in disaster-prone zones — and premium subsidies for owners. While such strategies around participation mandates have not been scaled in a meaningful way, it may be a model for states to test and further develop.

Tax Credits for Premium Reductions or Premium Subsidies for Affordable Housing Operators

States could explore a two-pronged policy approach to address the growing insurance affordability and availability crisis in multifamily housing, particularly in the affordable housing sector. One option would be to establish an insurance tax credit pilot program under which insurers receive a state tax credit for offering premium reductions to multifamily property owners that implement verifiable mitigation measures proven to reduce property or liability risk. These measures could be tailored to each state's predominant hazards — such as wildfire-resistant retrofits in California and Colorado, fortified roofing and window systems in Gulf Coast states, wind and storm protections in the Midwest, or improved lighting, surveillance, and community design interventions in urban neighborhoods with higher crime-related risks.

An alternative approach would be to provide premium subsidies directly to affordable housing operators that undertake eligible risk-mitigation activities. This structure would allow states to help lower insurance costs for mission-driven developers and property owners while still incentivizing loss-prevention investments. The program could operate as a two- to five-year pilot, with participating insurers or operators required to submit annual data on mitigation activities, claims experience, and premium impacts. This information would allow state agencies to assess which incentives — tax credits or direct subsidies — produce the most meaningful reductions in risk and insurance costs. Over time, the findings could inform longer-term strategies, such as integrating mitigation credits into rate filings, establishing a public reinsurance backstop, or requiring specific resilience standards in exchange for coverage or state support, ensuring the long-term insurability and financial stability of affordable multifamily housing.

Align State Housing Finance Agency Policies with Evolving Market Conditions

State housing finance agencies (HFAs) play a critical role in ensuring the long-term stability and financial feasibility of affordable multifamily housing, particularly properties financed through the Low-Income Housing Tax Credit (Housing Credit). As property and casualty insurance costs rise sharply across markets, HFAs could take proactive steps to align their policies with evolving insurance conditions and support portfolio resilience. These policy alignments can help safeguard affordability, preserve investor confidence, and ensure that projects remain financially viable despite escalating operating costs.

HFAs can begin by integrating insurance considerations more directly into their underwriting and allocation frameworks, help stabilize portfolios by ensuring that operating budgets reflect realistic insurance assumptions. Revising Qualified Allocation Plans to incorporate insurance risk metrics — such as property age, location risk, prior loss experience, and presence of risk-mitigation measures — would encourage developers to plan for long-term insurance sustainability.

Another opportunity lies in incentivizing investments in resilience and mitigation measures that reduce insurance exposure. HFAs can structure scoring incentives, basis boosts, or reserve requirements for projects that implement property-hardening improvements, such as roof reinforcements, storm shutters, flood barriers, or security upgrades. These measures not only reduce physical vulnerability but also strengthen the property's risk profile in the eyes of insurers. Linking mitigation investments to insurance outcomes can help control premiums while improving resident safety and operational reliability.

These actions would position HFAs not only as program administrators, but as strategic risk managers in a shifting insurance landscape. By aligning their policies with emerging market realities, HFAs can help ensure that rising insurance costs do not undermine the long-term financial health of affordable housing properties or the affordability of homes for low-and moderate-income households.

Conclusion

The affordability and stability of multifamily housing are increasingly at risk due to escalating costs and shrinking availability of property and casualty insurance. What began as an emerging market challenge has evolved into a systemic threat — one that demands coordinated action from policymakers, insurers, lenders, and housing providers alike. Across the country, states are taking varied approaches to address instability in property and casualty insurance markets. While these efforts differ in scope and philosophy, they collectively demonstrate growing legislative and regulatory attention to liability reform, market participation, and underwriting practices that affect housing providers.

The drivers of this crisis are both structural and behavioral: The compounding effects of climate volatility, inflationary construction costs, and litigation risk intersect with a fragmented insurance marketplace that frequently misjudges affordable housing risk.

To secure the long-term viability of affordable housing, the industry must act on multiple fronts. Owners and operators must strengthen their internal risk management capacity by documenting safety protocols, modernizing building systems, and communicating these measures to underwriters with the same rigor applied to financial reporting. Insurers and brokers must evolve their underwriting frameworks to reflect accurate, property-specific data and recognize the professionalism of mission-driven developers. Federal and state policymakers must modernize the regulatory infrastructure, offering both market stabilizers and incentives for resilience investments, while ensuring that subsidized properties are not penalized through opaque or discriminatory rating practices.

A comprehensive solution will require both near-term relief and long-term reform. In the near term, tools such as pooled insurance programs, captives, and parametric products can provide immediate stability for providers facing untenable premium increases. Over the longer term, investments in resilience retrofits, data transparency, and federal backstop mechanisms will be essential to rebuilding a functional, competitive insurance marketplace for affordable multifamily housing.

Ultimately, addressing this challenge is not only about reducing costs — it is about protecting the nation's investment in affordable homes, preserving the financial health of nonprofit and mission-driven developers, and ensuring that low-income families and seniors remain stably housed in the face of increasing climate and market risk. The policies and practices outlined in this report provide a roadmap for restoring balance to the insurance market while advancing a more equitable, resilient, and sustainable housing system.

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $80.9 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at enterprisecommunity.org.