

# LINCOLN AVENUE COMMUNITIES

---

Vermont Housing Finance Agency: Insurance Cost Challenges and Potential Solutions  
Tuesday April 2, 2024  
1:00 PM – 3:00 PM

# MISSION-DRIVEN AND IMPACT-FOCUSED

## WHO WE ARE

Lincoln Avenue Communities is a mission-driven affordable housing developer focused on preserving and creating high-quality affordable homes for families, seniors and individuals nationwide.

## OUR APPROACH

We own, develop, and invest in affordable housing to support thriving communities, delivering both financial and social returns.

Our experienced and agile team works to provide lower-income families with quality affordable housing through federal, state, and local programs.

## OUR FIRM AT A GLANCE



~150 PROPERTIES

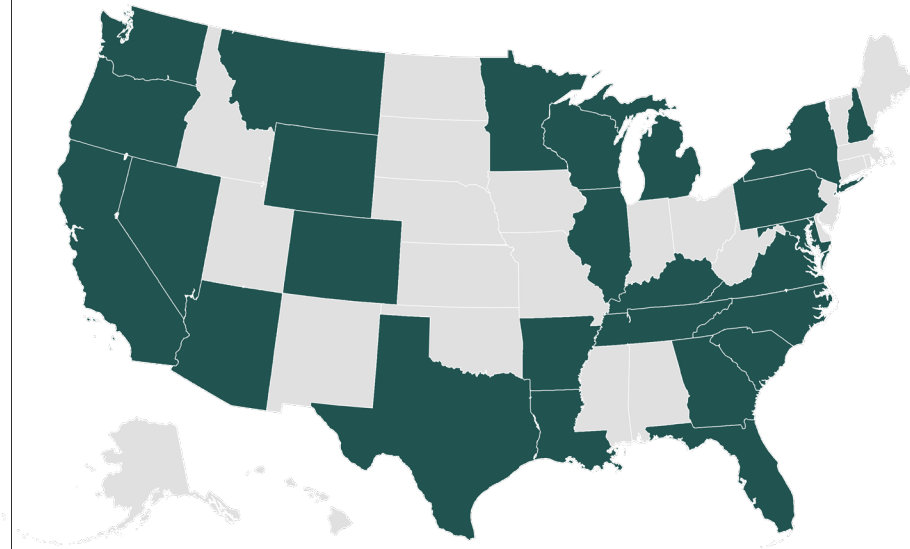


~26,000 UNITS



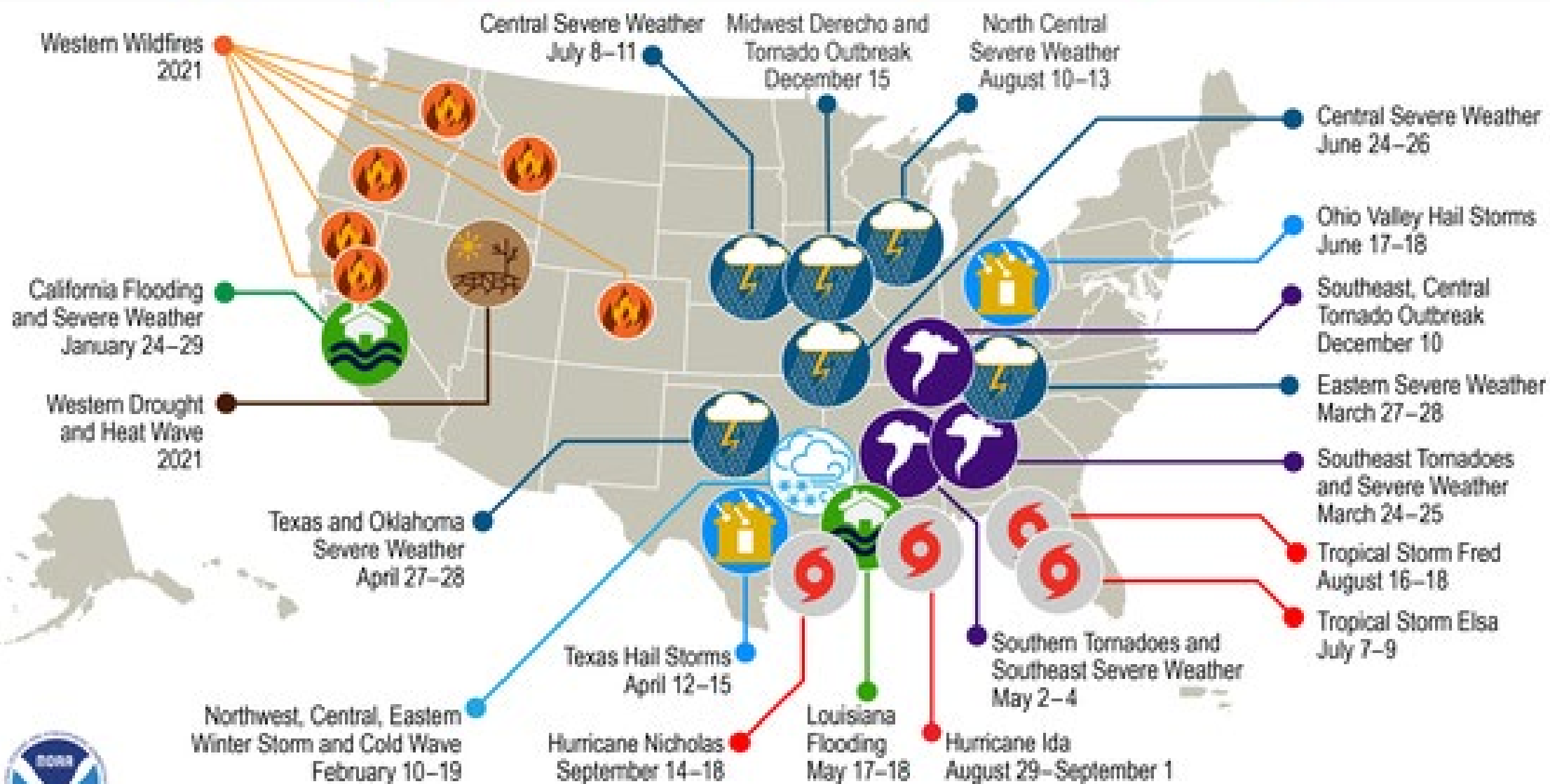
105+ TEAM MEMBERS

## OUR PORTFOLIO TODAY



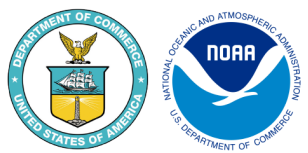
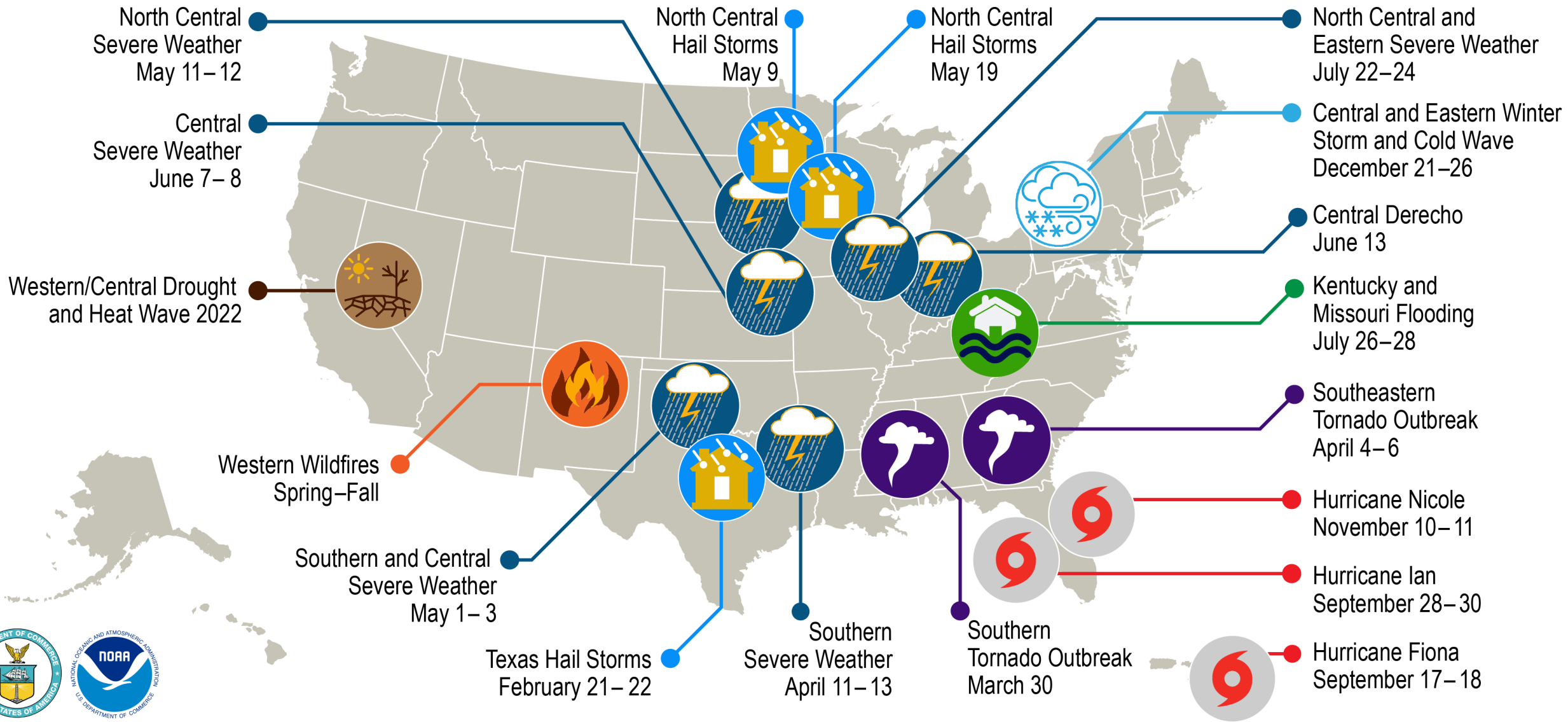
Powered by Bing  
© GeoNames, Microsoft, TomTom

# U.S. 2021 Billion-Dollar Weather and Climate Disasters



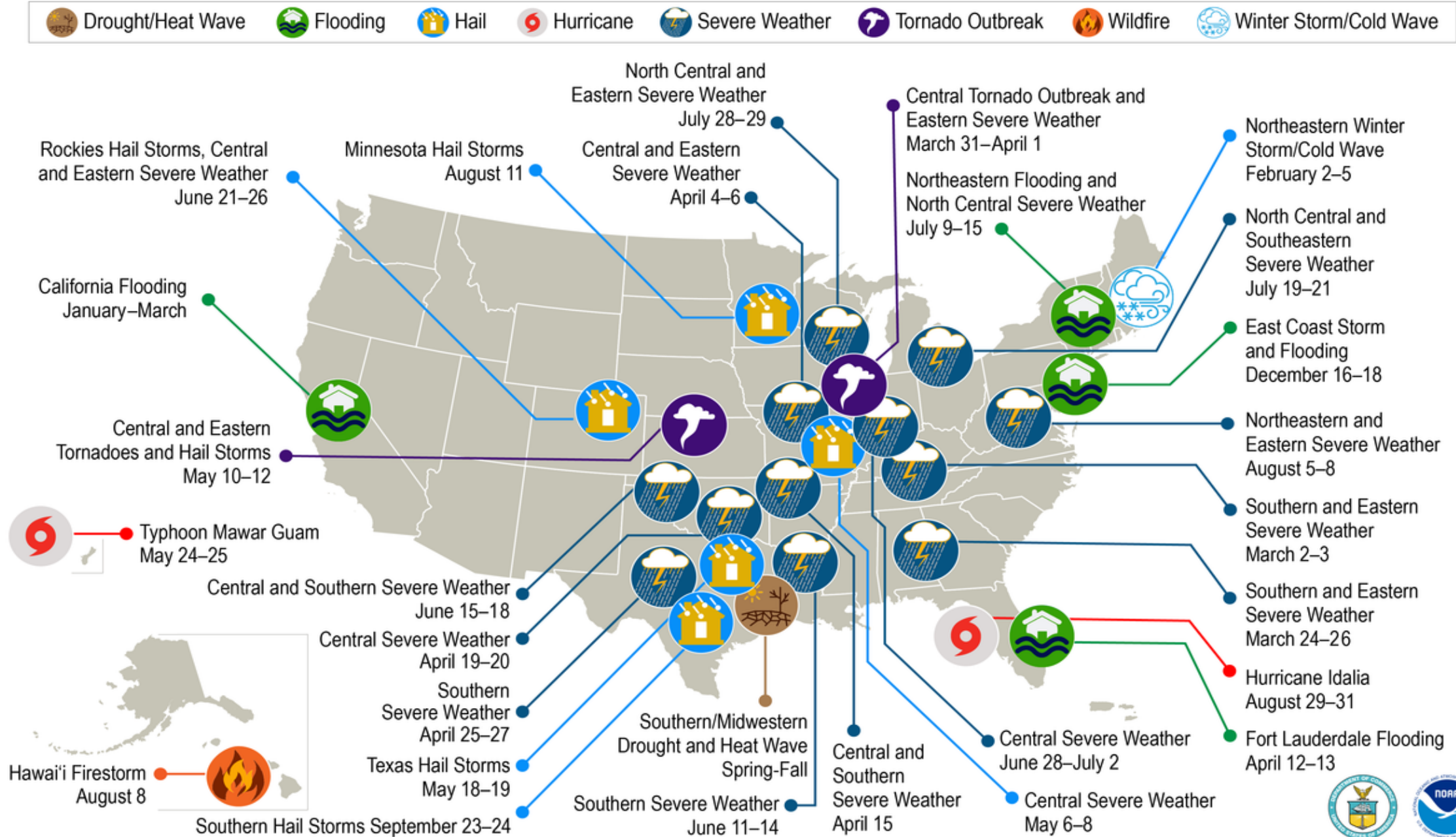
This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States in 2021

# U.S. 2022 Billion-Dollar Weather and Climate Disasters



*This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.*

# U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.

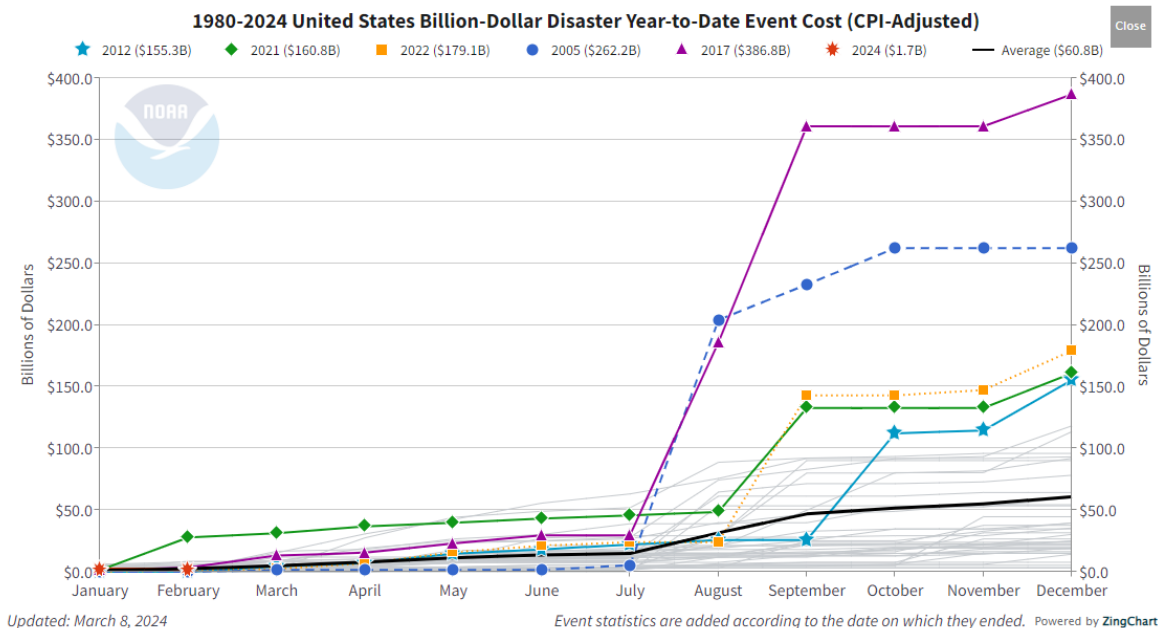


# Additional 2024 Potential Billion-Dollar Events

- The following is a compilation of events in which damage costs potentially exceed the \$1 billion-dollar threshold. This is only a **preliminary list** as calculations are not yet finalized and total costs have not been determined (as of March 8).
- In 2024 (as of March 8), there has been 1 confirmed weather/climate disaster event with losses exceeding \$1 billion to affect United States. This was 1 severe storm event. This event resulted in the deaths of 3 people.

All Disasters Drought Flooding Freeze Severe Storm Tropical Cyclone Wildfire Winter Storm

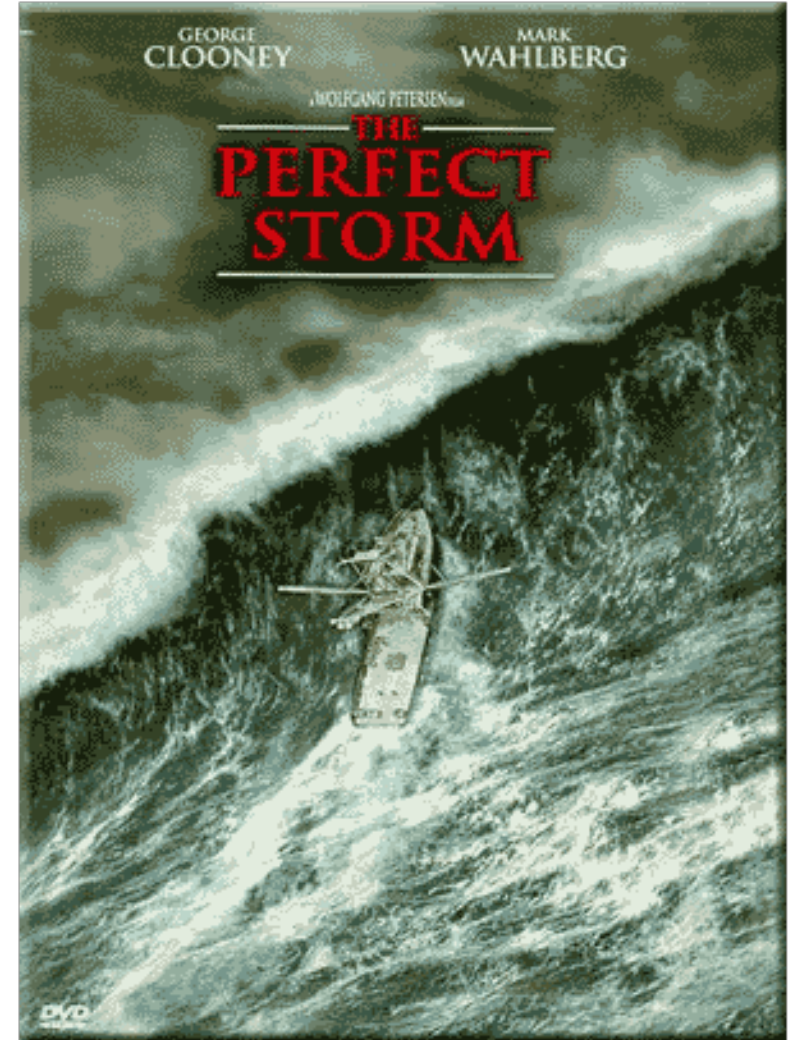
United States Cost Update CPI-Adjusted Unadjusted



“You four have been iconic, but we’ve found a guy who can do it in half the time and at half the cost.”

## Perfect Storm of Circumstances

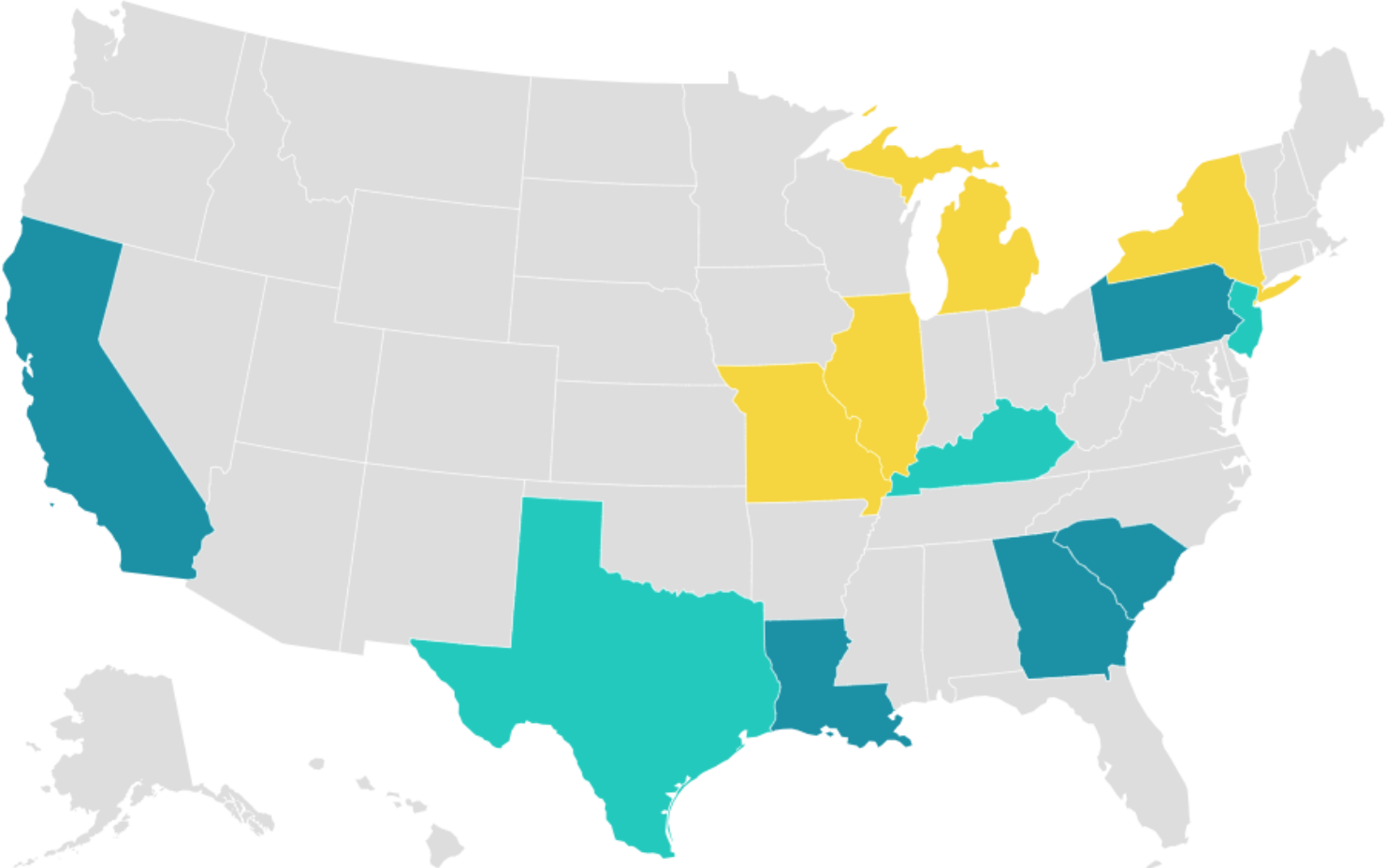
- Increase in Extreme Weather Events
  - Rising Claims Amounts
  - Increased Frequency
- Construction Costs + Supply Chain → Increase in Total Insurable Values (TIVs)
- Inflation + Interest Rates
- Declining Insurance Company Investments/Profitability
- Less Competition in the Marketplace
  - Insurance Company Failures
  - Global Overconcentration of Claims and Insurable Risk in US
  - Limited Capital to Allocate
- Crime Scores, Redlining & Discrimination
- Litigation Funding Industry + Judicial Hell Holes + AI Plaintiff Attorney Tools → Large Settlements, Jury Awards & Attorney Fees



Cover of DVD, *The Perfect Storm*

# ATRA 2023-24 Judicial Hell Holes

Judicial Hellhole (Local)    Judicial Hellhole (Statewide)    Watch List



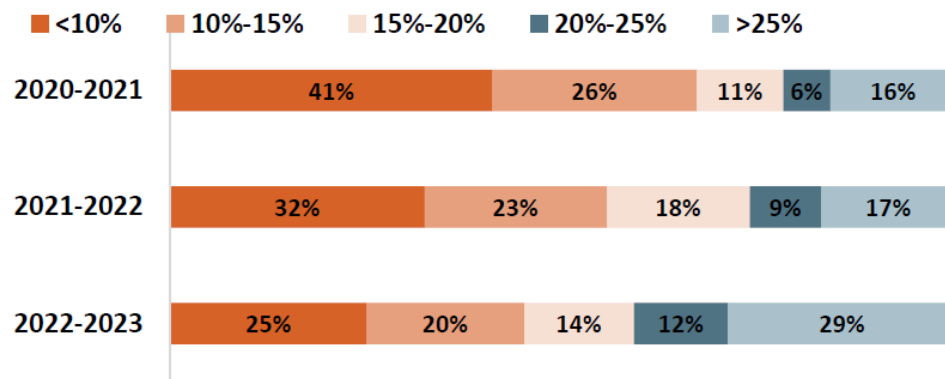
Get the data • Created with Datawrapper



# Housing Provider Survey Highlights

## Premium hikes exceeding 25% are increasingly common in 2023

### Premium hikes over time by percent increase



- 33%** Of policy renewals in 2023 resulted in less coverage than the prior year
- 67%** Of insurers cited limited markets as reason to increase rates
- 93%** Of housing providers indicate they plan to take action to manage costs

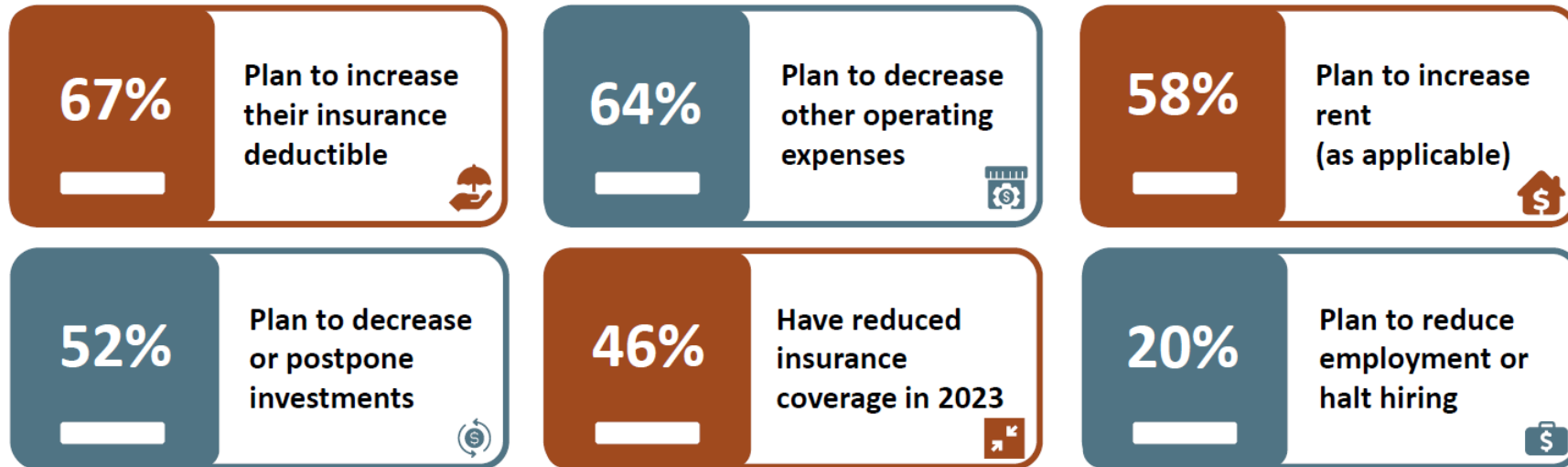
### Overview

- Premiums are increasing across all lines of insurance. For 2022-23 renewals, nearly one in every three policies had rate increases of 25% or more
- The magnitude of rate increases is higher than in prior years. For 2020-21 and 2021-22 renewals, 16% and 17% of policies increased by 25% or more, respectively
- Within 2022-23 renewals, commercial property policies had the steepest increase in rates compared to the prior year

Data and analysis courtesy of Nam D. Pham and Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," National Leased Housing Association and NDP Analytics, October 2023.

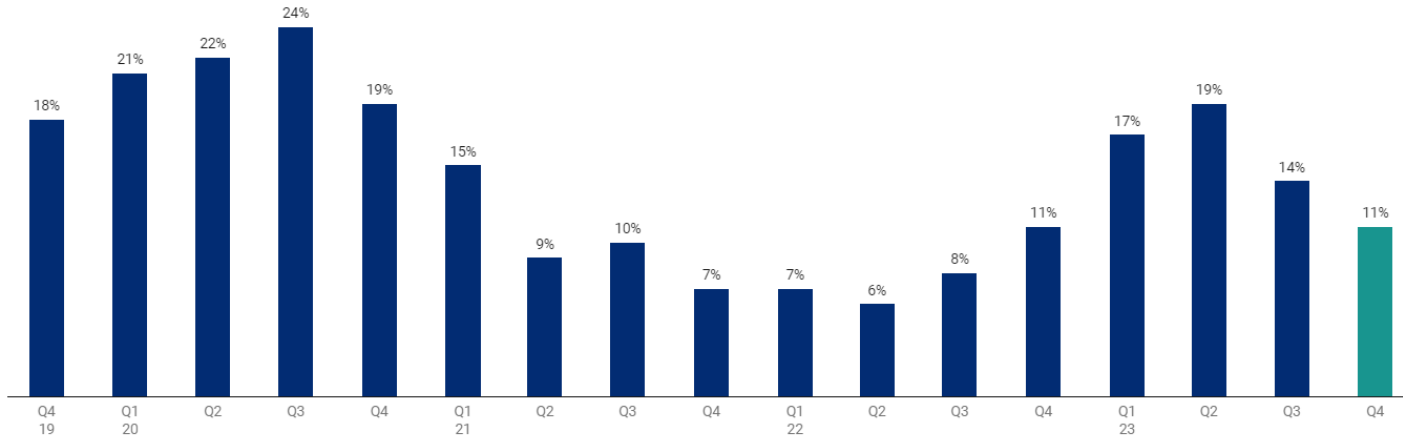
## Housing Provider Survey Highlights

### 93% of housing providers plan to take action to manage increased costs



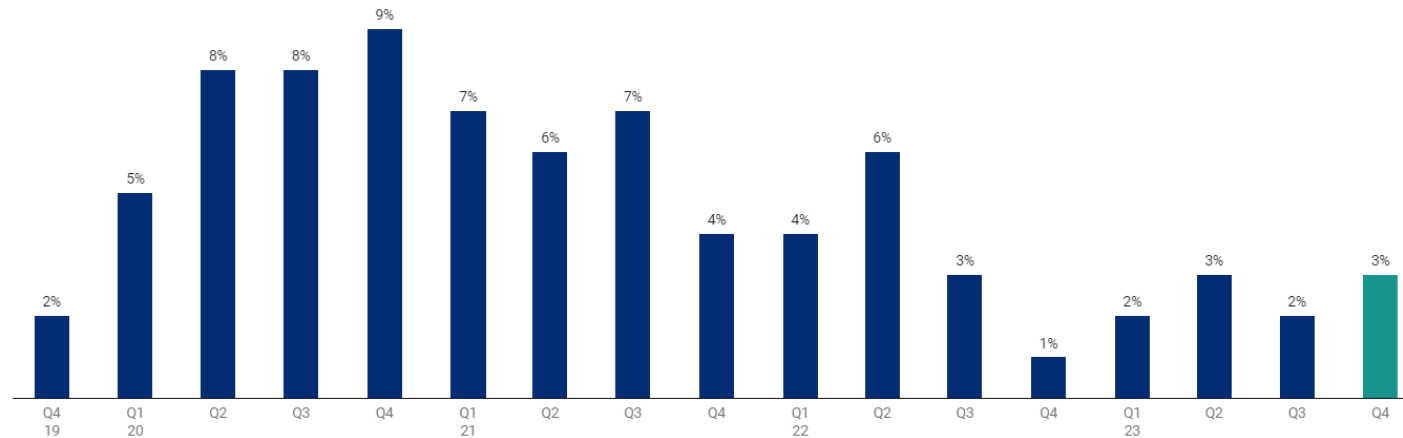
Data and analysis courtesy of Nam D. Pham and Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," National Leased Housing Association and NDP Analytics, October 2023.

## US property



Source: Marsh Specialty and Global Placement • Download SVG • Created with Datawrapper

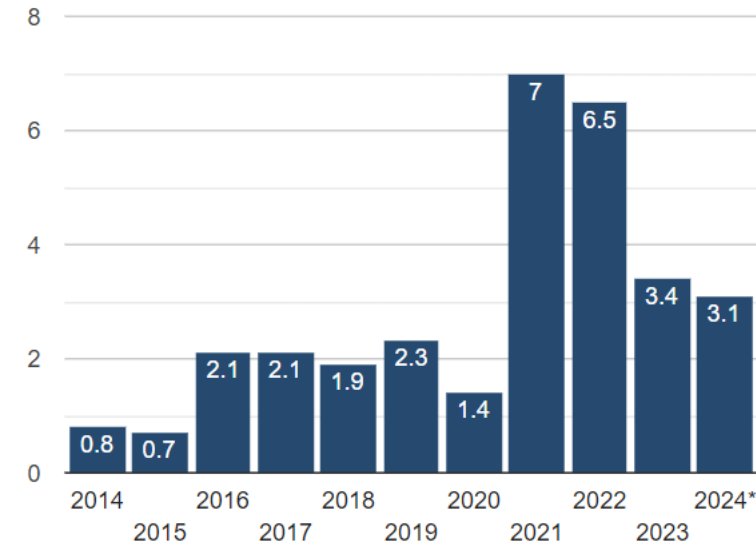
## US casualty



Source: Marsh Specialty and Global Placement • Download SVG • Created with Datawrapper

Year	OCAF (national average)
2024	5.3%
2023	6.1%
2022	3.1%
2021	2.5%
2020	2.2%

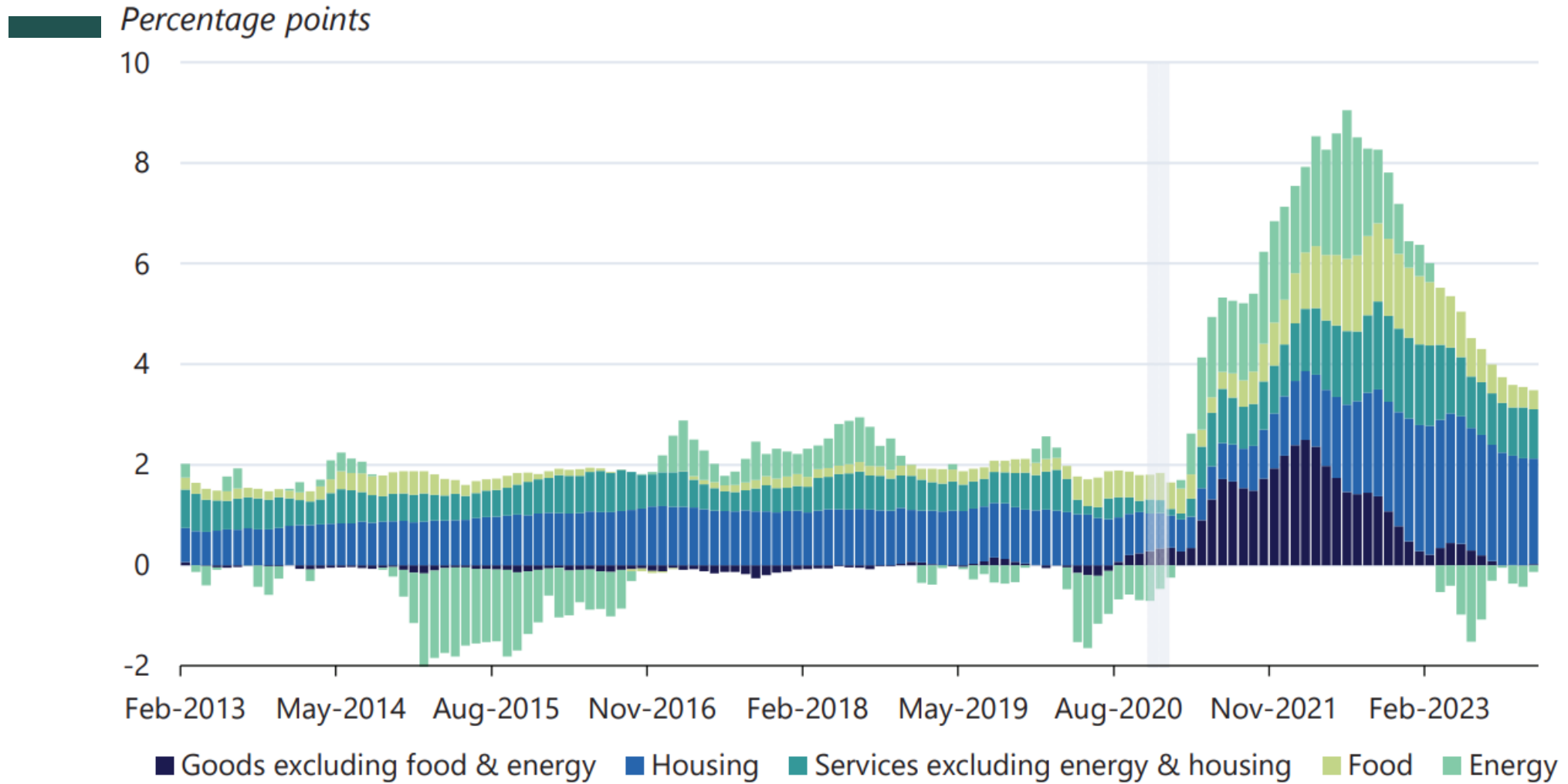
Chart: United States Annual Inflation Rates (2014 to 2024)



\*The latest inflation data (12-month based)

Source: <https://www.usinflationcalculator.com/>

# Figure 4-10. Components of Year-on-Year Headline CPI Inflation, 2013–23



**Council of Economic Advisers**

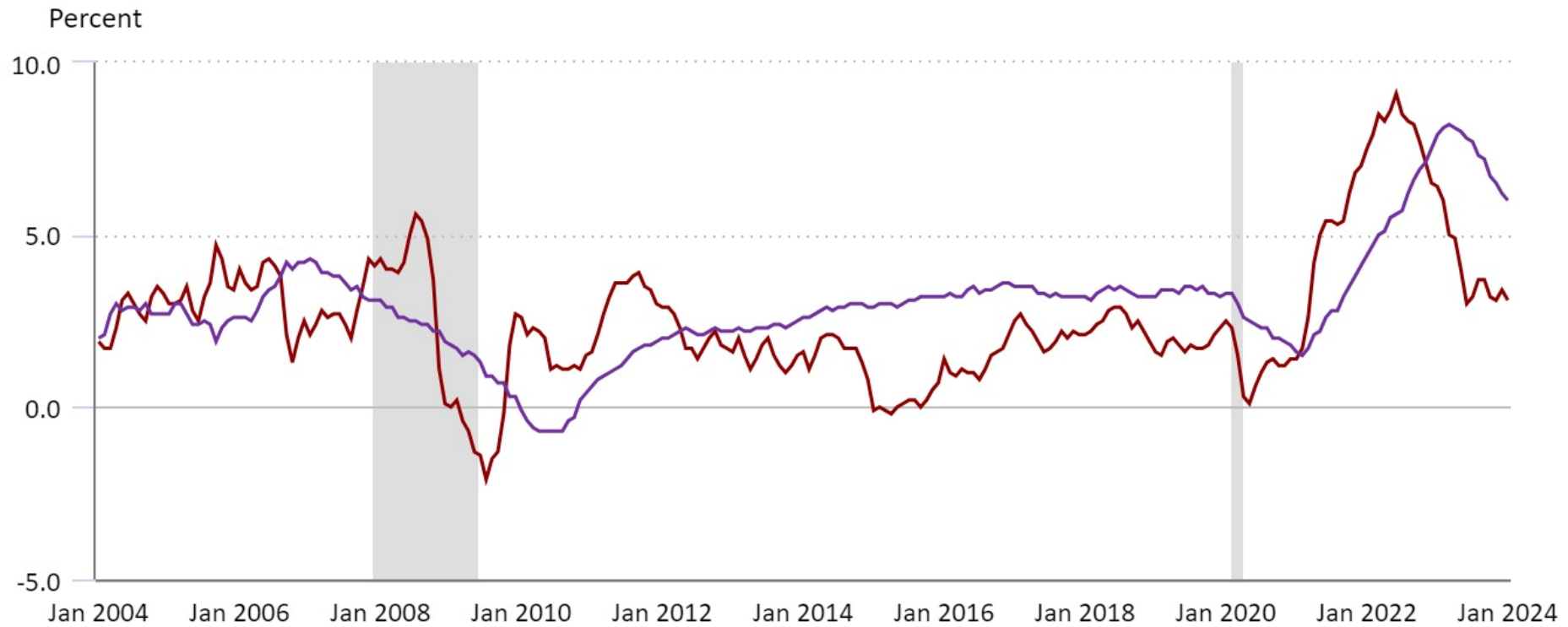
Sources: Bureau of Labor Statistics; CEA calculations.

Note: Gray bars indicate recessions.

2024 Economic Report of the President

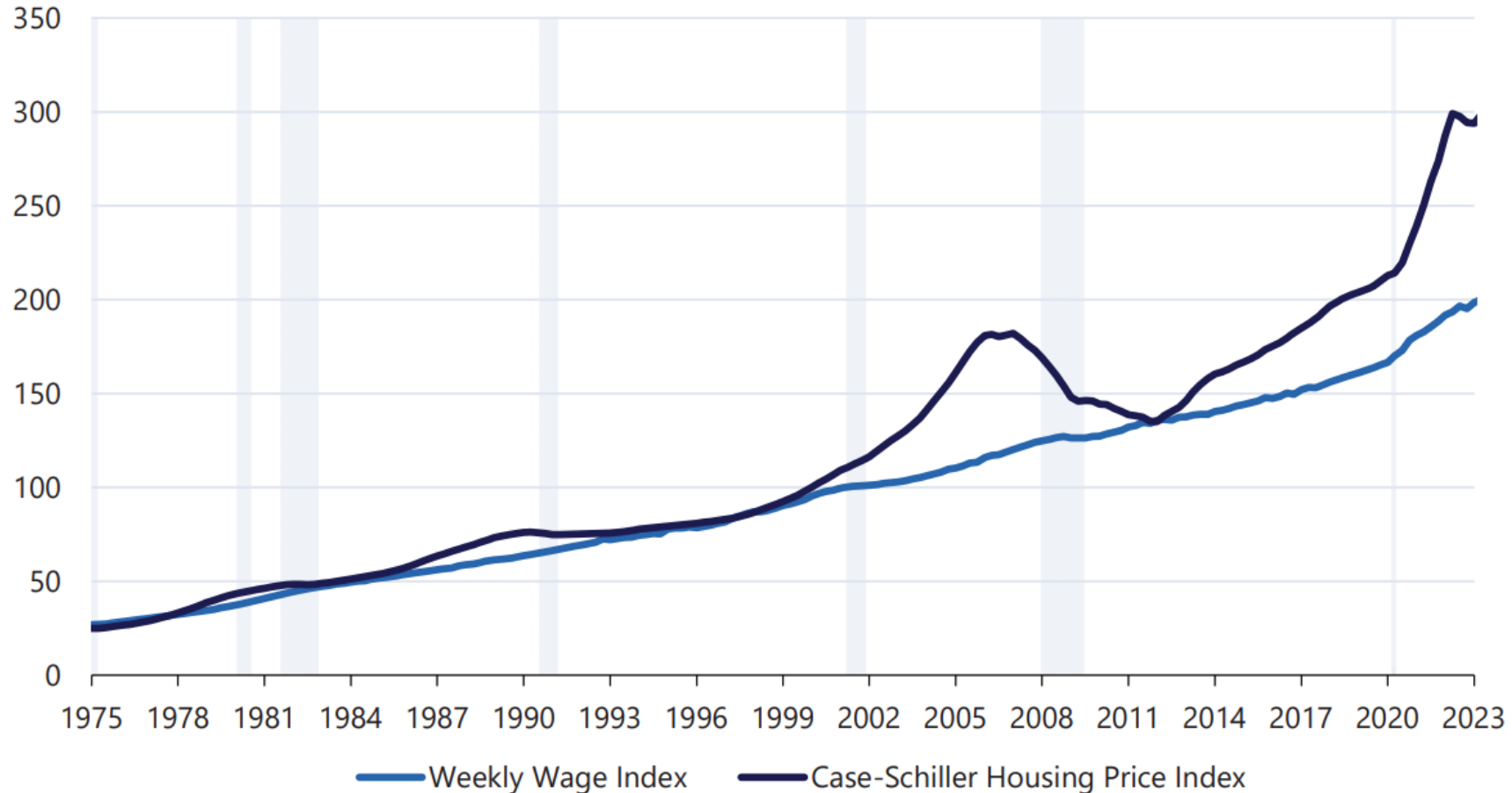
# 12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and energy com...
- New vehicles
- Services less energy services
- Medical care services



## Figure 4-1. Housing Price Index versus Wage Index, 1975–2023

Index: 2000:Q1 = 100



### Council of Economic Advisers

Sources: Bureau of Labor Statistics (Quarterly Census of Employment and Wages); CEA calculations.

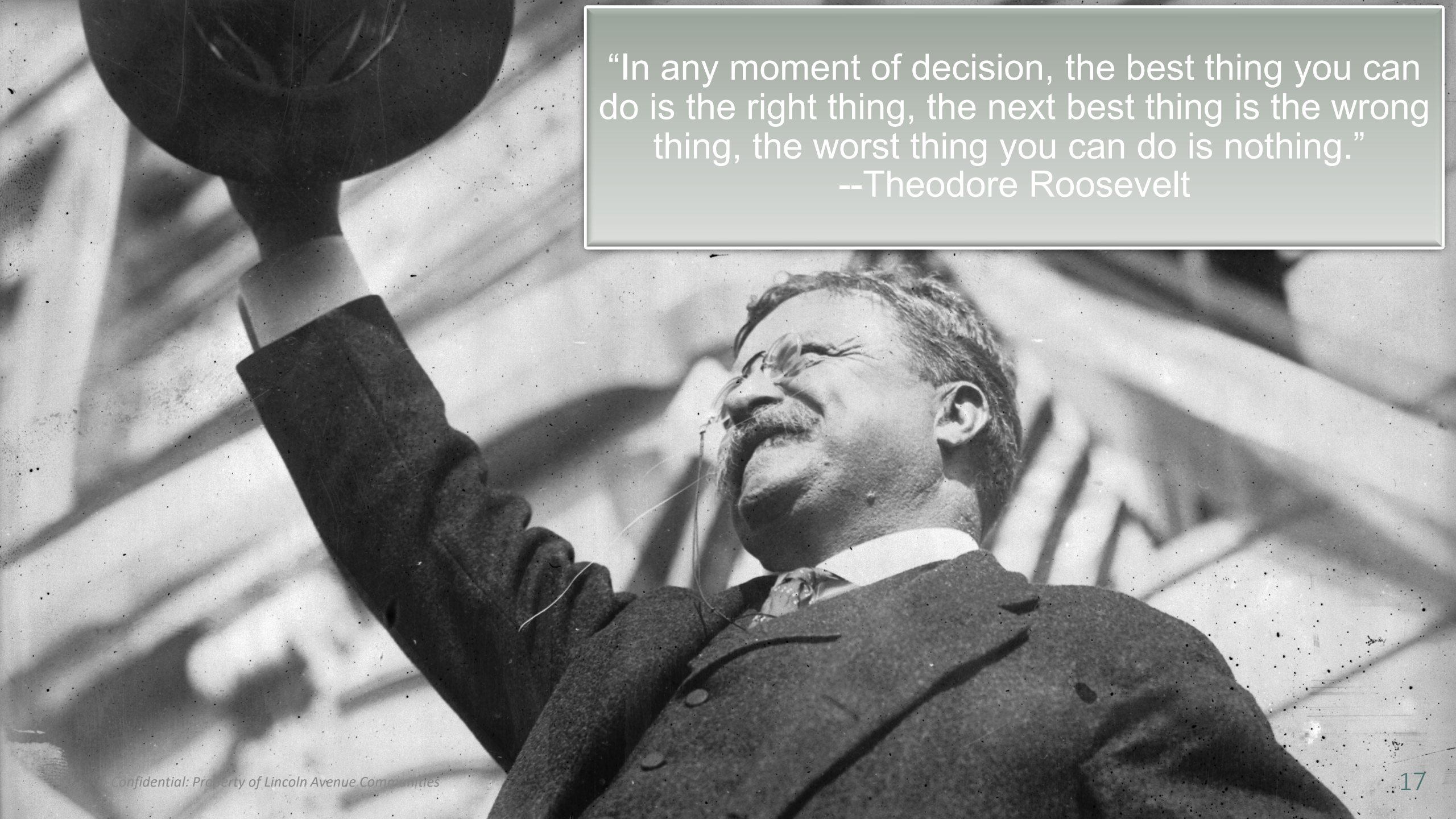
Note: Weekly Wage Index has been smoothed using a 4-quarter moving average. Gray bars indicate recessions.

2024 Economic Report of the President

## Hard Insurance Market → Hard Truths *and* Consequences

- Reduces Affordability in Subsidized and Conventional Markets
- Capital Transactions & Development
  - Reduces Leverage
  - Increases Costs
  - Delays Closings
- Existing Portfolio
  - Declining Revenue
  - Deferred Maintenance
  - Reduced Services
  - Potential for Technical Defaults
  - Opt-Outs



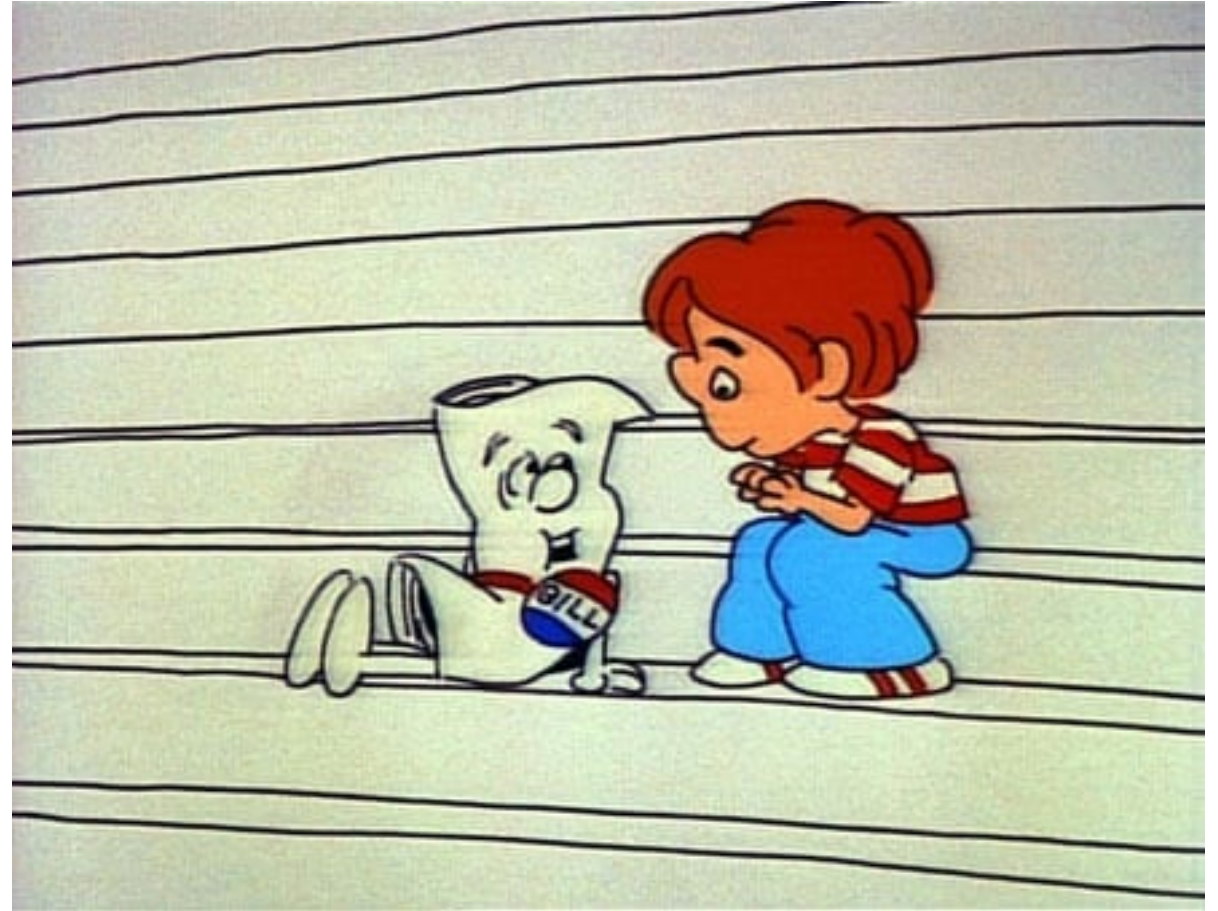
A black and white photograph of Theodore Roosevelt. He is shown from the chest up, wearing a dark suit jacket, a white shirt, and a patterned tie. He has a prominent mustache and is wearing glasses. He is holding a telephone receiver to his ear with his right hand, which is raised. The background is out of focus, showing what appears to be a wooden structure, possibly a porch or a building exterior. The lighting is bright, creating strong shadows.

“In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, the worst thing you can do is nothing.”  
--Theodore Roosevelt



## Potential Legislative Solutions

- Federal Back Stop Models & Precedents
  - Terrorism Risk Insurance Act (TRIA)
  - National Flood Insurance Program (NFIP)
  - Wrap from GSE / FHA / USDA Guarantor
  - Crop Insurance Model
  - Fair Access to Insurance Requirements (FAIR) Plans
  - Catastrophic Loss Draw Down Facility
  - Global Examples: Germany, France, Italy, Spain
  - Treasury Dept Recently Called for Federal Backstop for Cyber Insurance
  - Federally-Backed Reinsurance / INSURE Act
- Tort Reform / Premises Liability Reform
- Incentivize the Creation of a Domestic Reinsurance Marketplace
- Other Tax Incentives / Price Supports / Budget-Based Rent Increases
- Direct Subsidies / Appropriations



## Incorporating National Support for Unprecedented Risks and Emergencies (INSURE) Act

- HR 6944 (Introduced 1/10/2024)
- Sponsor: Rep. Adam Schiff (D-CA-30) + 12 Co-Sponsors
- Key Features:
  - Establishing a Federal Catastrophe Reinsurance Program within the Department of the Treasury to cap insurers' liability in the case of a catastrophic event above a threshold developed by the Secretary and an advisory committee of experts.
  - Requiring participating insurers to cover all natural disasters, including wildfires, severe storms, wind, hurricanes, floods, and earthquakes.
  - Directing significant investments from insurers in loss prevention and risk mitigation partnerships with policyholders.
  - Improving market monitoring through the Office of Financial Research and the Federal Insurance Office in collaboration with state insurance regulators.



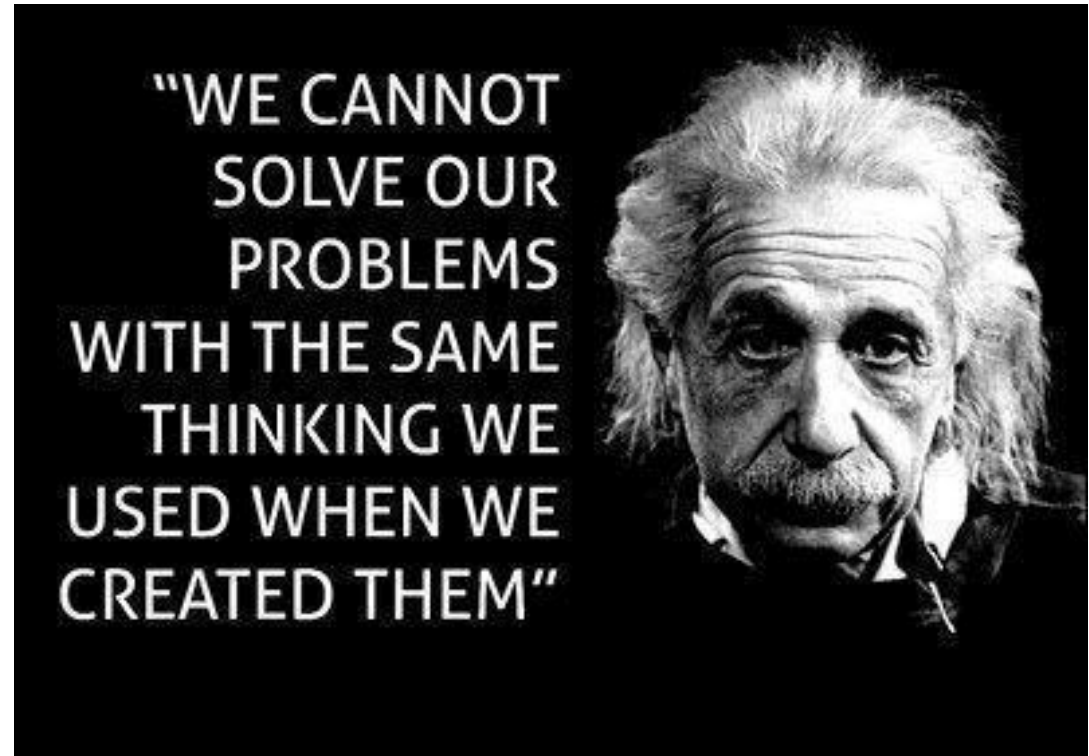
## Bridging to a Structural Solution: Potential Administrative Actions

- HUD PD&R
  - Revise Income Limits Caps
  - True Up OCAFs
- LIHTC Basis Issues/Opportunities – HFAs
- Reprioritize Existing Federal Grants & Resources
  - ARPA/SLFRF
  - CDBG
  - FEMA Flood Risk Mitigation Grants
- Fair Housing
- Data Aggregation
  - Federal Insurance Office
  - National Association of Insurance Commissioners
  - Industry Clearing House sponsored by Fairview Housing Partners
- GSE Overlay (see next slide)



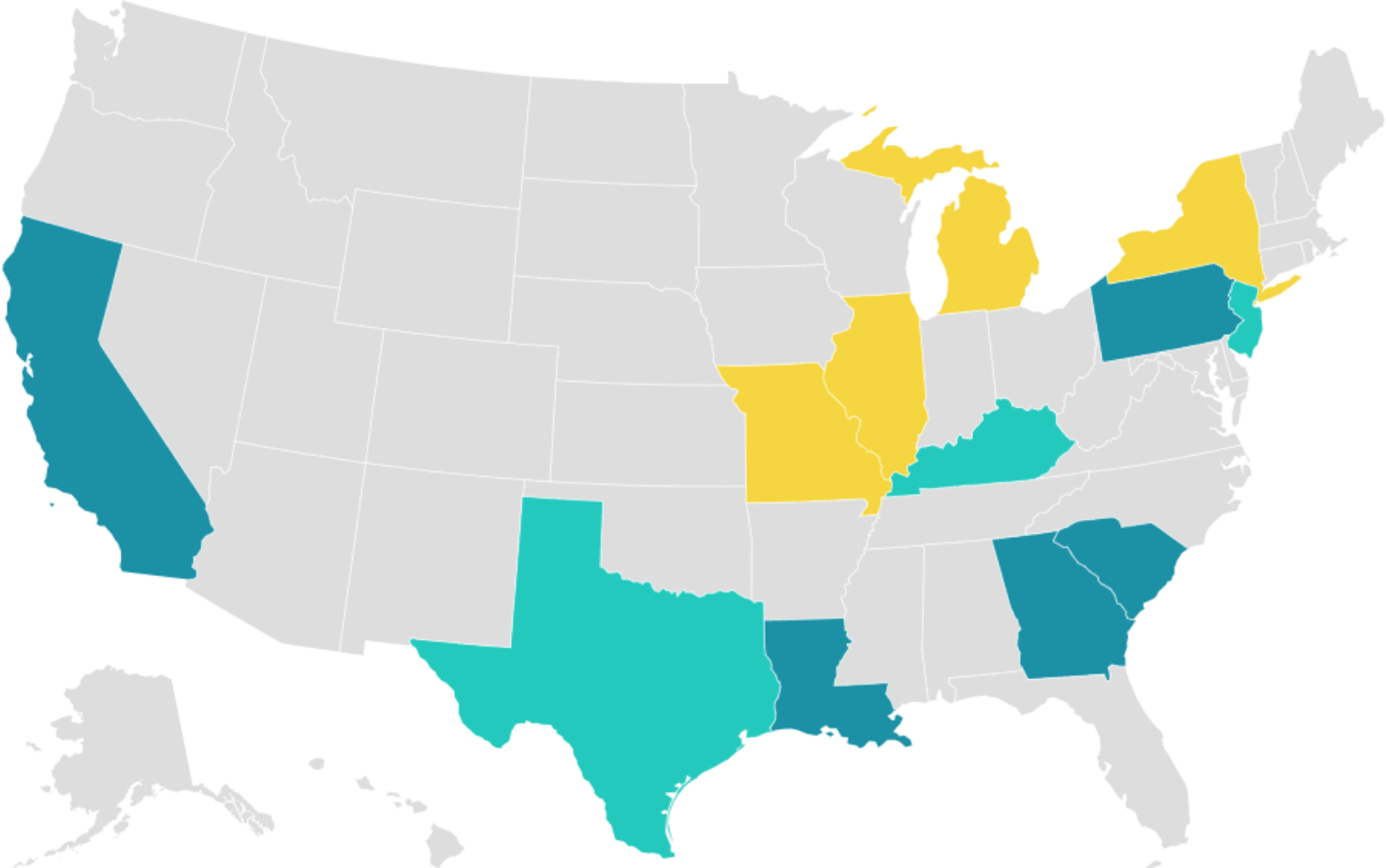
## FHFA – Fannie Mae – Freddie Mac - FHA Ideas

- Update/Revisit Agency Lender Insurance Requirements
  - Deductibles
  - Captives
  - Valuation Methodologies / Modeling
- FHFA
  - Leveraging GSE Balance Sheet or Guarantee as Backstop
  - GSE Resiliency Products
  - GSE Facilitated Community-Based Catastrophe Insurance
  - Affordable Housing Goals
  - FHLB / AHP Resiliency Focus
  - Product Innovation



# ATRA 2023-24 Judicial Hell Holes

Judicial Hellhole (Local)   Judicial Hellhole (Statewide)   Watch List



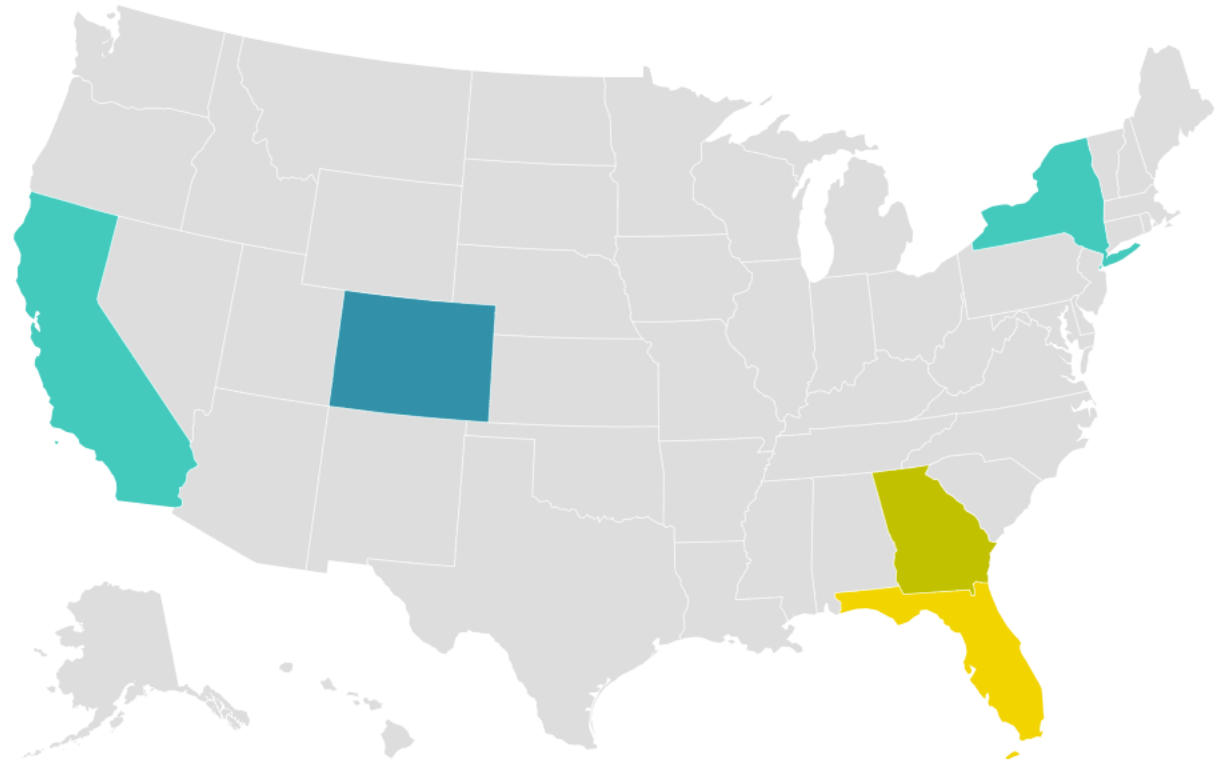
Get the data • Created with Datawrapper

## State & Local Work Streams

- Tort Reform / Premises Liability Reform
- Community-Based Catastrophe Insurance (CBCI)
- Source of Income Discrimination Legislation
- FAIR Plan Expansions
- State Insurance Commissioner Outreach Regarding Rate Increase in Covered Markets
- QAP Opportunities & Issues

## State Affordable Housing Insurance Legislative Initiatives

■ Affordable Housing Pooling Legislation ■ Fire Insurance Legislation (pending) ■ Hearing (Pending)  
■ Premise Liability Reform (Pending)



## Coalitions & Initiatives

- AHTCC Insurance Working Group
- NAHB Board Resolution
- NLHA Survey
- NMHC Survey
- Housing Affordability Coalition Task Force
- Bipartisan Policy Center



Questions?



Thom Amdur  
Lincoln Avenue Communities  
[tamdur@lincolnavenue.com](mailto:tamdur@lincolnavenue.com)  
860-287-1635



