

# SINGLE-FAMILY HOME INSURANCE

## FACT SHEET

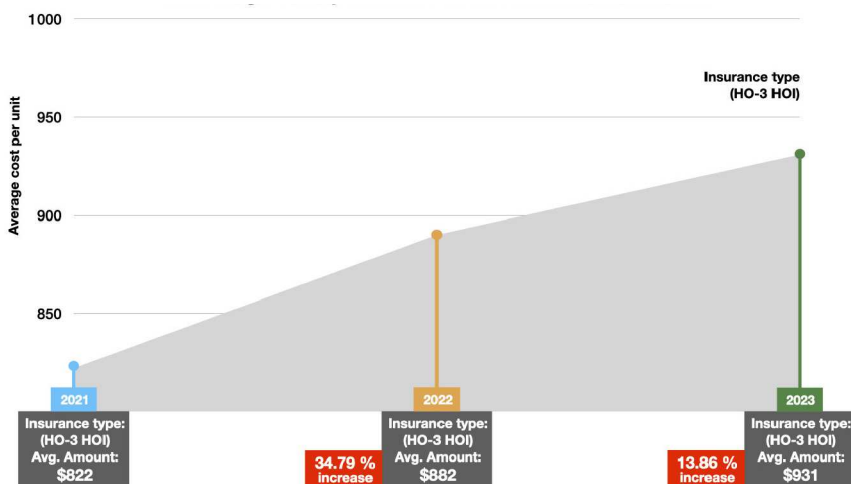
June, 2024



Affordable housing developers nationwide are grappling with an unstable insurance industry causing skyrocketing deductibles, rent hikes, and urgent cost-cutting measures.

### > THE RISE OF PROPERTY INSURANCE IN THE UNITED STATES (BACKGROUND)

#### SINGLE FAMILY INSURANCE COSTS FOR CDCB HOMEOWNERS



**40%**

INSURERS DROPPED OUT OF MARKET

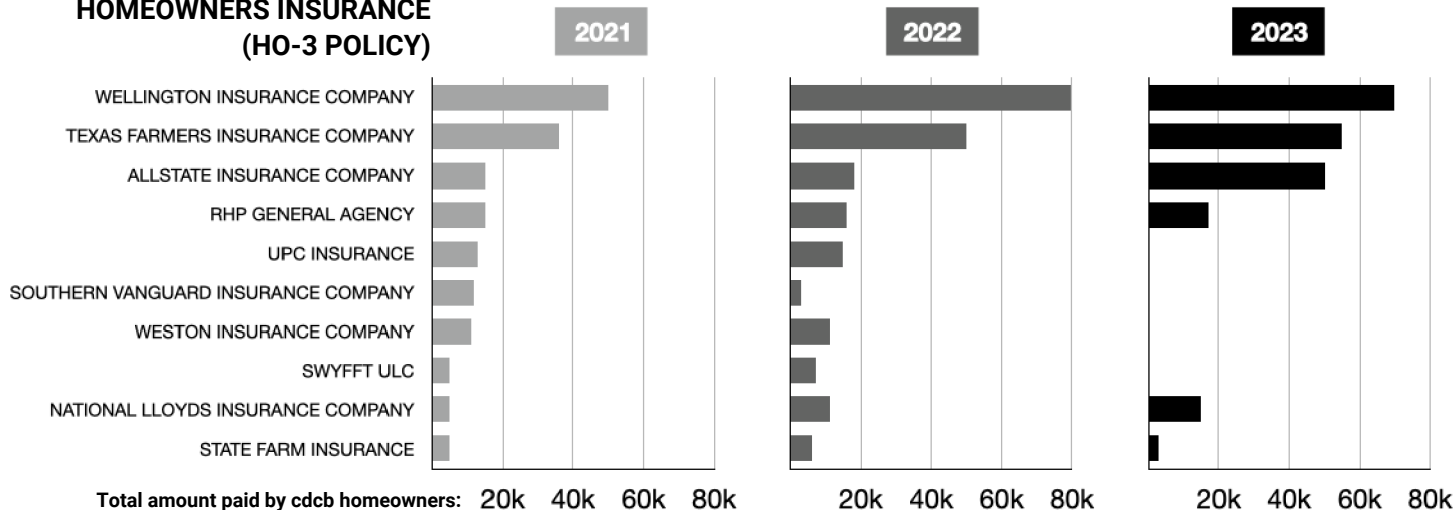


From 2021 to 2022, cdcB clients saw their insurance premiums in South Texas rise sharply by 34.8%, and then saw another increase of 13.9% from 2022 and 2023. One thing is certain: these increases in insurance premiums are significantly hindering single-family homeownership, especially for new homeowners, by escalating overall costs and straining their financial stability.

### > cdcB's FINDINGS: SINGLE-FAMILY PROPERTY INSURANCE

**HO-3 Policy Dominance:** Most clients at cdcB rely on the HO-3 Policy, which offers comprehensive coverage for property and belongings, meeting lender requirements of top 10 providers in 2021, 4 dropped out by 2023.

#### HOMEOWNERS INSURANCE (HO-3 POLICY)



## VARYING COST TRENDS



ALLSTATE  
INSURANCE  
COMPANY

# +213.9%

While some insurers like Allstate saw a substantial 213.9% increase in premiums from 2022 to 2023, others experienced fluctuating premium trends due to changing market conditions and claims frequency.

## TOP INSURERS FOR cdcB HOMEOWNERS

WELLINGTON  
INSURANCE  
COMPANY

FARMERS  
INSURANCE  
COMPANY

ALLSTATE  
INSURANCE  
COMPANY

RHP  
GENERAL  
AGENCY

UPC  
INSURANCE  
COMPANY

The top five insurers with the highest premiums from 2021 to 2023, with Wellington Insurance Company leading in total premiums within three years.

## > THE NATIONWIDE INSURANCE CRISIS: UNDERSTANDING THE CURRENT LANDSCAPE

### CHANGES IN INSURER COVERAGE

UPC Insurance Company's decision to stop covering the coastal region affected homeowner options, aligning with NDP Analytics' finding that 58% of housing providers changed insurers due to:

**35%**  
PRICE  
INCREASES

**32%**  
MARKET  
EXITS

**21%**  
COVERAGE  
LIMITATIONS

Over the past 3 years, clients at cdcB experienced:

**58**  
INSURANCE  
CHANGES

ACROSS  
**28**  
CARRIERS

REVEALING A  
**74%**  
TURNOVER RATE  
AMONG INSURERS

This turnover highlights fluctuations in service availability and insurer offerings, are influenced by factors like coverage adequacy and cost considerations.

## > WHY IS THIS ESPECIALLY HITTING CDCB'S SINGLE FAMILY HOMEOWNERS?

### Hazard Insurance

cdcB mandates minimum requirements for hazard insurance, including specific guidelines for acceptable carriers, coverage amounts, deductible limits, and mortgage clauses.

### Coverage Amounts and Deductibles

Coverage amounts are determined based on the property's value or mortgage balance, with deductibles capped at \$1,000 or 5% of the policy's face amount, except where state law dictates otherwise. Separate wind-loss deductibles may apply in windstorm-prone areas.

### Mortgage Clause Requirements

All insurance policies must contain a standard mortgage clause, with cdcB or the investor named depending on the loan arrangement.

Increasing insurance costs hit cdcB's single family homeowners hard because of strict insurance requirements and additional demands from lenders. These include carrier guidelines, coverage tied to property values or mortgage balances, and required deductibles, all squeezing funds allocated for maintaining affordable housing.

# Recommended Policy Priorities:

## Insurance Rate Reviews

Insurance rate reviews are a policy solution aimed at addressing the challenges faced by affordable housing developers grappling with escalating property insurance costs for single-family homes. These reviews involve periodic assessments of insurance premiums by regulatory bodies to ensure fairness and affordability for policyholders. By advocating for transparent and equitable rate reviews, developers can work towards stabilizing insurance costs, ultimately promoting the sustainability of affordable housing initiatives.

## Federal Backstop

Due to reduced competition and an overall broken market, property insurers are either exiting entirely or imposing excessively high rates. To draw insurers back, a federally backed reinsurance entity could be established, covering catastrophic losses beyond a certain threshold. This entity could be modeled on existing government programs like the Federal Housing Administration (FHA), Fannie Mae, or Freddie Mac. Another option is to introduce a federally backed insurance product tailored for risks like named storms or declared disasters, similar to the responses after 9/11 or the National Flood Insurance Program's establishment. Additionally, policymakers could consider a liquidity facility, akin to the one used during COVID-19, to support insurers following major catastrophes.

## Creation of a Domestic Reinsurance Marketplace

There is a shortage of reinsurers willing to participate in multifamily and affordable housing markets, which drives up premiums due to reduced competition. Many reinsurers serving the US market are based overseas, limiting regulatory influence to encourage participation. To address this, incentives such as tax breaks could encourage US financial institutions to enter these higher-risk markets or support subsidized housing. Structured properly, this approach could also prompt foreign reinsurers to establish US subsidiaries and increase involvement in the domestic market.

## Sources

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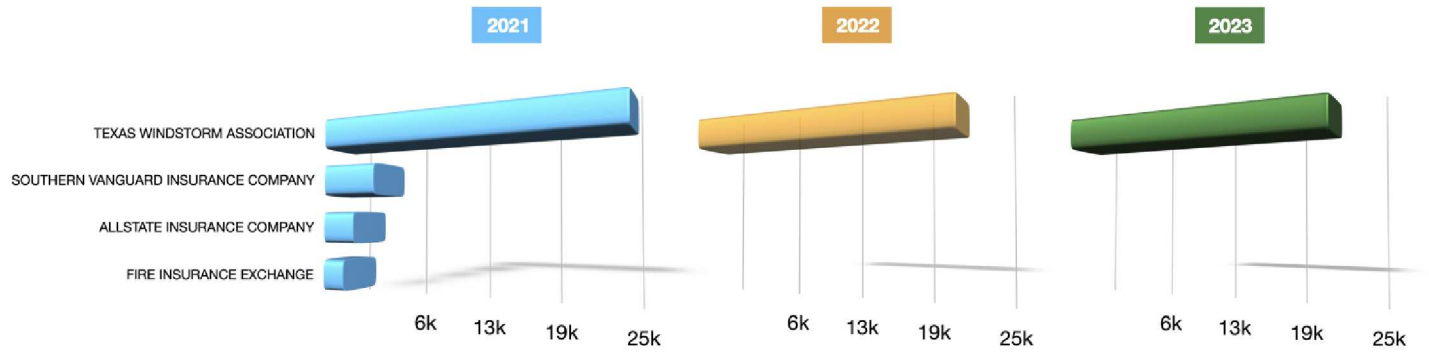
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# Appendix

## RISE IN COSTS FOR cdcb CLIENTS

### Windstorm



### Flood Insurance

