Market Study of Insurance for Affordable Housing Providers in Washington State:

Availability and Affordability of Property and Liability Insurance for Housing Providers Receiving Housing Trust Fund Resources Under RCW 43.185A.130 and Serving Extremely Low-Income Households as defined in RCW 36.70A.030

Prepared for the Washington State Office of the Insurance Commissioner

Prepared by Davies Actuarial, Audit & Consulting, Inc. with support from Alvarez & Marsal Financial Services Industry Group, LLC

November 7, 2024

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The Honorable Mike Kreidler
Insurance Commissioner, Washington state
302 Sid Snyder Ave. SW
Olympia WA 98504-0258

Re: Market Study of Availability and Affordability of Property and Liability Insurance for Housing Providers Receiving Housing Trust Fund Resources and Serving Extremely Low-Income Households In Washington State

Dear Commissioner Kreidler:

Please find attached the above-referenced study.

We appreciate the opportunity to work with you and the WA OIC and to assist the Washington State legislature. Please do not hesitate to contact us with any comments or questions.

Sincerely,

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Executive Summary

Providers of affordable housing receiving Housing Trust Fund resources ("Housing Providers") serve a critical role in meeting the affordable housing needs of extremely low-income households, including chronically homeless people that require permanent supportive housing ("PSH"). Housing Providers have recently reported serious challenges in securing property and liability insurance coverage at affordable rates. Substitute House Bill 2329, 68th Legislature, 2024 Regular Session (SHB 2329 (2024)) directed the Washington State Office of the Insurance Commissioner ("OIC") to study the availability and affordability of property and liability insurance for housing providers receiving housing trust fund resources under RCW 43.185A.130 and serving extremely low-income households under RCW 36.70A.030. Accordingly, the Washington State Office of the Insurance Commissioner ("OIC") retained the Authors to identify the specific factors impacting the affordability and availability of insurance for Housing Providers and to provide policy options to address those factors.

This report describes 12 policy options that, if adopted by the Washington State Legislature ("Legislature"), have the potential to improve the availability and affordability of insurance for Housing Providers in the state. In addition to the individual options, the Authors also suggest options that combine multiple individual options in a manner intended to ease acute problems in the near term while aligning market participants' (i.e., the Housing Providers and the potential property and liability insurers[1] of them) incentives to reduce insured losses over the long term.

The Authors' Approach

To study the issue, the Authors conducted numerous interviews with market participants to understand the issues, challenges and potential policy options; gathered data and conducted actuarial analysis to understand the extent to which underlying claim costs are driving the insurance availability and affordability challenges; surveyed market participants; and conducted other market research to understand the broader market conditions impacting this sector.

The Authors then evaluated potential opportunities based on their (1) expected impact on availability of insurance; (2) expected impact on affordability of insurance; (3) one time and ongoing implementation costs; (4) time required to implement; (5) potential risks and mitigants; and (6) dependencies for success on other actions or conditions.

In addition, the Authors considered each potential opportunity's expected impact on the "total cost of risk", which is the total cost of property and liability claims, rather than only the cost of insurance. Reducing and stabilizing total cost of risk is the best way to reduce the cost of insurance over the long term.

[1] Throughout this report, the terms "insurers" and "insurance companies" are used interchangeably.

Conditions and Limitations

The actuarial review conducted in this study involves the estimation of outcomes of future uncertain events. Additionally, the data set from which the Authors conducted these projections was limited in size, credibility, and quality, as described further in "Appendix A – Actuarial Methodologies". As such, results are subject to variation from expected values. Due to the nature and degree of uncertainty involved in these projections, there can be no guarantee that these independent estimates will prove adequate or not excessive. However, the assumptions and methodologies used by the Authors in our analysis are, in our opinion, reasonable under the circumstances.

The policy options recommended for consideration are based on the Authors' research. Although the Authors have attempted to identify potential consequences of each policy option, it is not possible to identify every consequence. Furthermore, the Legislature may choose to execute some options in a manner not contemplated by this study. The outcome of any option or combination of options cannot be guaranteed.

This report should be read and distributed in its entirety, as opposed to parts thereof. Evaluation of the actuarial projections should be conducted by an actuary experienced in the relevant lines of business and markets.

Key Concepts in Insurance Availability and Affordability

The price of insurance (or, as referenced in this report, "affordability") is based on the insurers' expected cost of the exposure. Note that, generally, insurance companies are for-profit businesses which are subject to solvency requirements. In order to maintain solvency, they must price the insurance risks which they write in an actuarially sound manner. Insurance pricing and availability are based on both the historical claim sets and on perception and estimation of future trends. The concept of pricing risks in an actuarially sound manner is discussed further in the section "Insurance Ratemaking Principles" below. If insurers are not allowed to offer insurance at a price which they expect to be profitable, they may leave the market, potentially causing "availability" issues.

The long-term methods for addressing availability issues, in which insurance is not offered by the market, and affordability issues, in which insurance is too expensive for the consumer, in the commercial market are to:

1. modify the exposure so that the expected losses are reduced (either because losses are less frequent, less severe, or both) or
2. modify the legal or other environments, or the coverage provided, such the expected losses in the insurance layer are reduced (either because losses covered under the insurance policy are less frequent, less severe, or both) or
3. decrease insurer expenses (such as reinsurance) or
4. a combination of the above.

Alternatively, if the commercial market is unable to provide insurance that is affordable and consistent with the government's objectives for a market, the Legislature may choose to create a government program to insure the risk.

Short-term proposals may include alternative funding mechanisms for risk.

Summary of Findings Regarding Underlying Causes

The Authors' research and analysis indicate that Housing Provider challenges regarding the availability and affordability of insurance are the result of three primary factors: (1) challenging overall market conditions for property and casualty insurance; (2) the types of properties owned by Housing Providers; and (3) the perceived risk profile of the Housing Providers' residents. Each of these factors is summarized below and described in more detail elsewhere in this report.

Please note that, per the scope of research prescribed by Chapter 74, Laws of 2024, this report focuses on providers of housing to extremely low-income households receiving state trust funds. Extremely low-income households are defined by RCW 36.70A.030(17) as those with a household income of 30% or below of the area median income reported by the United States Department of Housing and Urban Development ("HUD"). This definition is explained further in Appendix B of this report.

(1) Underlying Cause: Overall Market Conditions

Washington (and the United States in general) has seen a prolonged period over the past 5-10 years of increases, often substantial, to insurance prices in the commercial property & liability space. There are many reasons for these increases, which include extreme weather events, high inflation of repair costs, and increases in the cost of reinsurance – which is an unavoidable cost of insurers in this market. These issues are broadly impacting property and casualty ("P&C") insurers, including those that cover homeowners', personal auto, and commercial residential (including affordable housing) policies, requiring rate increases in order to maintain a required level of solvency and a reasonable level of profitability. This issue is outlined in more detail below in the section "Insurance Market Overview."

Moreover, as many of the companies participating in this insurance market are not directly regulated by the OIC, or have limited exposure in Washington, any legislations against these companies will be difficult for the regulators to enforce. (See "Insurance Regulation Overview" section).

(2) Underlying Cause: Property Characteristics

Many properties in the affordable housing sector fall into one of two categories that insurers consider to be unattractive risks. These include:

1. Old properties, with wood frame construction and old roofs, that are lacking the typical safety measures found in modern buildings. Wood frame construction increases the risk of fire because it is more combustible than alternative materials. Properties with older roofs are more likely to suffer water damage from rain, snow and hailstorms. The lack of modern safety measures such as sprinkler systems increases the risk of damages caused by fire.

2. New properties that have appraised values higher than $10 million, which is above the limit that many insurers will accept for a single risk. These properties are more resistant to fire and storm damage than older properties, but the possibility of a $10 million claim on a single property is concerning to insurers.

(3) Underlying Cause: Risk Profile of Residents

Insurers perceive that there is increased risk associated with the extremely low-income (including PSH) sub-sectors of the affordable housing market. This is based on the perceived risk profile of the residents of extremely-low-income housing, namely a higher incidence of insured losses resulting from resident behaviors as compared with the general population and other sectors of the affordable housing market. (RCW 36.70A.030(31) states that PSH "prioritizes people who need comprehensive support services to retain tenancy and utilizes admission practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors." It also states that PSH supports individuals "living with a complex and disabling behavioral health or physical health condition . . . experiencing homelessness or was at imminent risk of homelessness." PSH is subject to all the rights and responsibilities of the Residential Landlord-Tenant Act.) The lower barriers to entry may be intended so that individuals in need of PSH are not excluded, but they also are expected by the insurers to expand behaviors that may result in property damage and liability claims.

In addition, extremely low-income and PSH residents are unlikely to have renters' insurance, which reduces the likelihood that the Housing Provider's insurer will be able to recoup its costs for property damage or personal injury claims caused by a resident. Note the following regarding renters' insurance, and its key role in the commercial residential property space:

- Renters' insurance effectively transfers a portion of the risk from the landlord's insurer to multiple renters' insurers used by the tenants.
  - After paying a claim, a landlord's insurer typically seeks reimbursement from the party that caused the property damage or personal injury that gave rise to the claim.
  - If the claim was caused by a tenant in a multi-family property, the insurer that paid the claim will seek reimbursement from that tenant, whose renter's insurance policy typically includes coverage for that reimbursement liability.

- As a result, a property that requires its residents to purchase renters' insurance is less risky to insure than one that does not require renters' insurance.

- However, Housing Providers generally do not require their extremely-low-income and PSH tenants to purchase renters' insurance. Moreover, if renters' insurance were required, it is unlikely that any insurer would be willing to offer the coverage at a price that the residents would be able to afford. Housing Providers in this space are therefore essentially taking on the cost of the risks that would normally be covered by renters' insurance. By way of example, one of the Housing Providers the Authors interviewed houses PSH residents in units leased from landlords who require renters' insurance of their tenants. In that case, the Housing Provider must provide the renters insurance for those tenants and bear all of the associated costs.

The above property and resident profile means that there are not many insurers licensed and regulated by the OIC (i.e., traditional insurers in the admitted market) with a strong interest in the affordable housing sector. Thus, the majority of the insurance for the Housing Providers is written by excess & surplus ("E&S") lines insurance companies or risk pools. As noted in the "Insurance Regulation Overview" section, the OIC does not directly regulate the rates or forms of E&S companies or risk pools.

Potential Policy Option Categories

The individual policy options recommended for consideration can be grouped into three broad categories, and (as noted above) a fourth broad category that includes combinations of the first three:

1. **Reduce the total cost of risk** by physically improving the properties, increasing property inspections, and/or mitigating behavioral risks. These initiatives, which are more fully described below, are designed to reduce the frequency and severity of property damage and liability claims. It is important to measure and track the impact of mitigation measures. Over time, as the data demonstrates their effectiveness, these initiatives should lead to increased availability of insurance with better coverage and lower premiums from private insurers. These types of initiatives are necessary to ensure a healthy market over the long-term but are unlikely to have a material impact on insurance availability and price in the near-term, because it will take time for the improvements to be implemented. It is not clear how much premium credit the insurers will give for the physical improvements and/or behavioral risk mitigation in the short or long term.

2. **Increase the availability of insurance** by establishing a new insurance or reinsurance mechanism capitalized with public funds ("Public (Re)insurer"). By accepting layers of risk that private market insurers do not find desirable, this option should increase the availability of insurance. In isolation, this option does not inherently reduce total cost of risk, but there are circumstances in which it may reduce the cost of insurance premiums. (1) If private (re)insurers are over-pricing the risk, the Public (Re)insurer may be able to charge actuarially sound rates that are lower than the rates offered by private (re)insurers.[2] (2) If the Public (Re)insurer charges premium rates that are less than actuarially sound – in which case the legislature would need to provide it with another source of income to remain solvent. (3) The Public (Re)insurer may be able to operate more efficiently than a private insurer, and/or may be able to charge lower profit loads and risk loads, leading to decreased premiums when compared to the private market.

3. **Subsidize the cost of insurance**, either directly or indirectly, as further described below. Operational costs in this space, especially insurance costs, have risen over the past five years at a rate which is substantially higher than what could have been anticipated. Additional funding via insurance subsidies would help to mitigate these rising costs. Note that options that provide direct subsidies do not necessarily address the underlying issues that have caused the insurance costs to rise so rapidly but will provide immediate relief to Housing Providers to a much greater extent than other options.

4. **Combine elements of the above** – for example by (1) partially or fully subsidizing the cost of mitigation measures, or by (2) establishing a publicly capitalized (re)insurer that offers meaningful

[2] Note that based on our review, the Authors see no evidence that private insurers are overpricing this risk. This is discussed further in the section "Insurance Market" section below as well as in "Appendix A – Actuarial Methodologies".

premium credits or more insurance coverage to Housing Providers that make investments necessary to mitigate risk. Such combinations would arguably be the best way for the Legislature to address the long-term problems which have caused the insurance costs to rise, while also providing needed immediate support to Housing Providers.

Policy Options - Insurance Industry

None of the above options impose additional requirements on the insurance industry. The Authors have considered several possible legislative initiatives which impose additional requirements on the insurance industry (e.g., regulations on what rates can be charged, limitations on non-renewals, etc.), but do not recommend any at this time. The reasons for this can be summarized as follows:

- Based on a review of available data, the Authors have seen no evidence that the insurance industry is charging excessive or unreasonable rates for this coverage. The actuarial dataset for providers of extremely low-income housing includes substantial claims over the past five years, and the rate increases appear to be justified actuarially on an overall basis. More information on the Authors' review of the insurance industry can be found in the sections "Insurance Market for Housing Providers" and "Appendix A - Actuarial Methodologies".
- Any regulations which require insurance companies to charge lower premiums or increase coverage without impacting the exposure has a strong potential to jeopardize the profitability and ultimately financial strength of the insurers in this market. This could create abandonment of the market and insolvencies, neither of which benefit the Housing Providers.
- Many of the insurers in this space are not regulated by the OIC (e.g., risk pools), are regulated by federal legislation (e.g., risk retention groups), or otherwise are not required to have publicly filed insurance rates and forms (e.g., excess & surplus lines insurers). While none of these issues necessarily prevent the Legislature from passing laws applicable to these insurers, they do make effective enforcement of such legislation in this space particularly difficult.
- Legislation directed at the insurance industry in this space can have unintended negative consequences. See the "Insurance Market Overview" section below for more discussion.

Sources of Funding

Many of the potential options highlighted below will require public funding, often significant, to implement. The nature of the extremely low-income housing space is that the residents are unlikely to be able to afford additional outlays. Further, given their limited resources, the Housing Providers are also unlikely to be able to absorb additional financial obligations. While the Authors make no specific recommendations as to how any of the identified options should be funded, this report includes some considerations for the Legislature.

While some of the money to implement these policy options could be funded through the insurance industry, such options would have to be carefully coordinated with the OIC to make sure all implications are understood. By way of examples:

- If any funding is achieved via an increase in premium taxes, this will disproportionately impact domestic insurers due to the concept of 'retaliatory premium tax', making it more difficult for Washington-domiciles to compete in the market.
- Existing premium tax fees could instead be earmarked or reallocated to fund some portion of these options. The small size of this market means that a relatively small percentage of allocated premium taxes could potentially fund a substantial portion of these options. However, it is important to note that without any increase in funding otherwise, this would necessarily require diverting funds away from any other current or planned uses.
- Money could also be collected via special surcharges or fees. Please note that generally such surcharges/fees can be passed directly on to the consumer via offsetting increases in premium rates.

Money does not need to be sourced through the insurance industry. Below are only a few of many possible options for other funding:

- The current PSH Operating, Maintenance & Supportive Services ("OMS") and Operating & Maintenance ("O&M") Housing Trust Funds (described further in Appendix C) derive much of their funds from a document recording fee which is currently $183. Please see Chapter 277, Laws of 2023 for further details. This recording fee could be increased or other fees could be levied if the Legislature deems this appropriate.
- Funding could be diverted from general funds or could be raised from other taxes or fees (perhaps in a manner related to this issue, e.g., an additional property tax on commercial residential property).

Total Insured Loss

In order to estimate the cost of the various policy options presented, the Authors first had to estimate the total cost of risk for this market as a whole. To that end, in coordination with the OIC, the Authors issued a data call to insurance companies operating in this space and used the data received to derive a reasonable estimate of total cost of risk. Note that this process had several challenges, including:

- The scope of this study, as prescribed by Chapter 74, Laws of 2024, was to issue a data call to insurers regarding the premium and losses for providers of housing to extremely-low-income households, receiving Housing Trust Funds. Upon further investigation, the Authors learned that insurance policies are not issued based on income category. (See the "Data Used in this Analysis & Its Limitations" section of Appendix A for further detail). They are instead issued to a Housing Provider, which may provide housing for many income levels, sometimes within the same building.
- For this reason, the insurers were unable to identify which policies did or did not reflect those providers assisting extremely low-income households. Thus, based on the insurance information, there is no way to reliably determine which premiums or losses are attributable to extremely-low income housing. The Washington Department of Commerce ("Commerce") provided addresses of buildings which contain extremely low-income units (although they may contain other units as well), which the Authors referenced when making the data call.

- Since the data was obtained from the insurance industry, the data does not capture any losses retained by the Housing Providers, including both claims below the insurance deductible or any other claims otherwise retained by the Housing Providers.
- Losses vary from year-to-year, often substantially, as individual years' loss costs can vary depending on weather patterns within a year or other large losses. The actual total cost of risk for this segment in future years will vary, perhaps substantially, from any actuarial estimate.
- The Authors were not able to obtain insurance data for all units within the scope of the review, due to both timing limitations and data limitations on the part of the insurers. Note that insurers provided information for only approximately 75% of the addresses requested. Of those addresses, some policies appear to be only small parts of the total property/liability insurance profile. Based on the timing of this study, the Authors were unable to determine the nature of the missing records. These irregularities provide further limitations on the dataset.

With the above caveats in mind, our range of reasonable estimates of the annual total cost of risk per unit for this segment is between $1,500 to $1,950. Given 7,202 units within the scope of the study, this produces a total range of **annual** total cost of risk of $10,800,000-$14,000,000.

Assuming an insurer would offer insurance for this layer at an expected loss & loss adjustment expense ("LAE ") ratio of 60%, the total **annual** cost to insure this segment would be $18,000,000-$23,400,000.

The analysis to compute these estimates is further documented in Appendix A – Actuarial Methodologies.

Policy Options

Below are policy options for legislative consideration. They are summarized in the table immediately below and described in more detail in the subsequent pages and report sections.

Policy Options		**Reduce total cost of risk**	**Incr. Avail.**	**Subsid-ize**
1	Increase Availability of Insurance **by creating a new Public Reinsurer to reinsure private insurers** that write property and liability insurance policies for Housing Providers.		√	√
2	Increase Availability of Insurance by **creating a Public Insurer to insure the first layer of property and liability insurance policies** for Housing Providers.		√	√
3	Establish a fund to **Reimburse Housing Providers** for expenses in their **deductible** layer.			√

Policy Options		Reduce total cost of risk	Incr. Avail.	Subsid-ize
4	Encourage physical risk mitigation by subsidizing the cost to install **water leak and fire detection and suppression systems** to reduce the total cost of risk.	√		√
5	Mitigate behavioral risk by implementing changes to state law to **provide Housing Providers with more control over which tenants they house, while adding protections for PSH residents** who require inpatient medical or mental health treatment.	√		
6	Create a new **Public Insurer to provide renters' insurance**[3] for individuals placed into Affordable Housing units.		√	√
7	Increase the frequency and scope of **building inspections** and/or appraisals to identify risks such as electrical fire, roof leaks and other factors that increase risk, and highlight risk mitigation measures that have the potential to reduce insurance costs.	√		
8	Enhance **building codes** for affordable housing properties to require certain minimum standards designed to mitigate property damage and personal injuries, coupled with public funding to assist Housing Providers to become compliant.	√		√
9	**Increase state funding for social programs** that can be administered by or in partnership with Housing Providers.	√		
10	**Subsidize the cost** of insurance for Housing Providers.			√
11	**Enact legislation** to **create a standard of negligence** for certified Housing Providers such that they can only be held liable for actions of their residents or guests if they display gross negligence or bad faith.	√	√	

[3] Renters' insurance typically covers (1) damage to personal property of the tenant; (2) the cost of temporary housing in the event that the policyholder is unable to stay in their apartment while it is being repaired; (3) personal liability if the policyholder is legally liable for another person's injury or property damage; and (4) medical payments to others. See
https://www.insurance.wa.gov/how-renter-insurance-works

	Policy Options	Reduce total cost of risk	Incr. Avail.	Subsid-ize
12	**Combine options** such as (i) Establish a Public Insurer that accepts the first layer of insurance coverage for Housing Providers; (ii) offer premium rate credits for approved risk mitigation initiatives implemented by the insured Housing Providers.	√	√	√

Note: in the above table, a green check mark is a definite benefit of the policy option, a black check mark is a potential benefit depending on how the policy option is implemented.

Policy Option #1: Increase Availability of Insurance **by creating a new Public Reinsurer to reinsure private insurers** that write property and liability insurance policies for Housing Providers. The reinsurance would be provided **above a selected threshold**. The Public Reinsurer could subsidize the **Cost of Insurance** if the state charges less then actuarially justified premiums for the coverage or if the entity is able to operate more efficiently and/or charge a lower risk/profit load than a private reinsurer is able to.

Rationale: Property insurers' reinsurance costs for the types of properties typically owned by Housing Providers have increased materially due to global market conditions and higher perceived risks from extreme weather nationwide. Those risks have caused reinsurers to seek to reduce their exposure within the region while increasing premium rates. The resulting cost increases are passed along to insured individuals and entities such as the Housing Providers.

The establishment of a public reinsurance entity can be accomplished utilizing various mechanisms, including a state risk pool. Providing "excess of loss" reinsurance to private insurers for claims above a certain threshold will reduce their risk and improve the attractiveness of this market segment to them.

The Pollution Liability Insurance Agency ("PLIA")[4] offers an analogous precedent in Washington State. See the link in the footnote for a description of PLIA.

Risks and Potential Mitigants:

1.	Private insurers may not want to participate	Offer attractive reinsurance premium rates and mandate that a portion of the reinsurance savings be passed on to the policyholders.
2.	Public Reinsurer may not manage claims effectively and/or efficiently	Recruit an experienced claim management team and/or outsource claim management to a TPA or to the direct writer, with oversight from the Public Reinsurer.
3.	High claim costs of the Public Reinsurer	Several of the proposed options are designed to reduce total cost of risk via reducing insured

[4] See https://plia.wa.gov/about-plia/

losses. Those could be implemented in combination with this.

Dependencies:

There are many details beyond the scope of this review which would need to be studied before any such policy option is implemented. This includes determining the terms and layers of coverage provided by the entity, setting the premium rates charged by the entity, and ensuring that the entity would qualify as acceptable reinsurance per the terms of the lenders and banks of the insurers. If the Legislature wishes to explore this option further, the Legislature should consider further study of these issues first.

The state will need to provide the initial capitalization for the Public Reinsurer. While the exact amount of capitalization needed would depend on the layers and terms of coverage provided and the risk tolerance of the legislature, the Authors provide here an estimate for illustrative purposes. Assuming the reinsurance layer was set up to cover 25% of the insured losses, this would require annual premium of $4.50 million - $5.85 million (equals 25% times the total estimated premium cost for this segment of between $18.0 million - $23.4 million). A normal insurance entity writing coverage of this type would have a capital to premium ratio of approximately 1:1. With this in mind, given these assumptions, the required capital would be between $4.50 million - $5.85 million.

In addition, if the premium rates charged by the Public Reinsurer are lower than necessary to pay claims and operating expenses and sustain its capital, then the state will need to provide the Public Reinsurer with a source of ongoing funds to cover its operating losses.

Precedent:

PLIA was established by the state in 1989 to address the lack of availability and affordability of environmental liability insurance for owners of underground storage tanks ("USTs").

PLIA reinsures private insurers of commercial USTs for losses in excess of $75,000 per incident. It charges below-market premium rates and requires the insurer to pass along the reinsurance premium savings to the policyholder. Since 1989, PLIA has paid approximately 725 commercial reinsurance UST claims totaling $95 million.[5]

In addition, until July 1, 2020, PLIA directly insured up to $60,000 of costs to clean up heating oil leaks from USTs. This program no longer accepts new policies but continues to provide coverage on existing policies. Since 1989, PLIA has paid approximately $113 million of claims under this program.

PLIA also provides grants and loans to assist owners and operators of underground storage tanks to improve or replace existing tanks and clean up pollution. Before suspending its acceptance of new applications in March 2020, PLIA provided $11 million of grants and loans under this program.

The rates that PLIA charges to the industry are not actuarially sufficient to cover the costs; rather the costs are subsidized via funding from a dedicated tax on the wholesale value of petroleum on its first

[5] See https://plia.wa.gov/wp-content/uploads/PLIA-Book-Q1-2024.pdf

introduction to the state[6]. The tax is suspended when PLIA's account balance reaches $15 million, and reinstated when its account balance drops below $7.5 million.

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Policy Option #2: Increase Availability of Insurance **by creating a new Public Insurer to insure the first layer of** property and liability insurance claims for Housing Providers. The insurance would be provided **up to a selected threshold**. The Public Insurer could subsidize the **Cost of Insurance** if the state charges less then actuarially justified premiums for the coverage and/or charge a lower risk/profit load than a private insurer is able to.

Rationale: The Public Insurer could insure the highest-frequency initial layer of loss, thereby eliminating the high cost of retained deductibles from Housing Providers. Additionally, it is possible that more commercial insurers will entertain entry into the market if they do not hold liability for high-frequency claims. As noted in Policy Option #12, an initiative like this can be combined with risk mitigation efforts to reduce total cost of risk.

Risks and Potential Mitigants:

1. Private insurers may not want to provide coverage for higher layers, as they may be uncertain that smaller claims will be handled effectively by the Public Insurer, putting them at risk for greater numbers of large claims.	Recruit an experienced claim management team and/or outsource claim management to a TPA, with oversight from the Public Insurer.
2. High claim costs of the Public Insurer	Several of the proposed options are designed to reduce total cost of risk via reducing insured losses. Those could be implemented in combination with this.

Dependencies: The dependencies are similar to those listed in Policy Option #1. One advantage is that this option involves claims at the primary layer, which tend to be more straightforward to predict/project. A disadvantage is that, if the State charges rates that are lower than actuarially indicated, it will need an annual infusion of funds, in addition to the funds initially needed to capitalize the entity.

Precedent: Please see information in Policy Option #1 regarding PLIA's historical insuring of the primary layer for specific types of pollution losses.

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[6] This is directly analogous to some of the funding sources discussed by in the "Sources of Funding" section of this report.

Policy Option #3: Establish a fund to **reimburse Housing Providers** for expenses in their insured deductible layer.

Rationale: Many Housing Providers have expressed that they have purchased higher and higher deductibles on their commercial policies as a method of managing large renewal increases. If a Housing Provider selects a higher deductible, the premium increase will not be as strong as it otherwise would have been, or premiums may even decrease, as the Housing Provider has retained a greater portion of the loss on each claim. Choosing a higher policy deductible temporarily assists Housing Providers in meeting their budgets, but ultimately can result in even greater financial pressures as they are forced to absorb significant losses in the deductible layer. A publicly funded reimbursement of losses in the deductible layer would assist Housing Providers in meeting their budgets.

Risks and Potential Mitigants:

1. Total cost of risk is not reduced, and Housing Providers may have less incentive to try to prevent small claims.	Participation in the program could be dependent on the Housing Provider's implementation of certain risk mitigation actions.
2. Housing Providers may overuse this fund.	Put caps on the amount that Housing Providers can collect per claim, and in the aggregate, in a given time period. These caps could be related to the number of households (or extremely low-income households) that the Provider houses.
3. Funds may be exhausted, leaving Housing Providers with too-large policy deductibles and no way to fund them.	Put rules in place for public disclosures and education at certain key financial junctures of the fund. This fund could provide temporary relief to Housing Providers while longer term options (such as risk mitigation actions) are put into place.

Dependencies:
A specific study, with a larger experience base, should likely be engaged to determine initial funding based on specific caps, as well as subsequent funding that may be necessary.

Precedent:
In 2023, the state of Oregon in SB5511, Section 9, established a fund with some similarity to the fund in this policy option. The Oregon fund is more limited in scope, in that it only covers PSH claims which are tenant-caused. The fund reimburses Housing Providers directly and does not reimburse insurers for any claims submitted under insurance. Thus, it largely will cover smaller claims within the deductible of the Housing Providers' insurance. This was funded through general funds, though an analogous fund could be funded via a dedicated tax, assessment, and/or fee. As of October 2024, the fund has not yet begun operations; the effectiveness and operation of the fund has yet to be tested.

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Policy Option #4: Encourage **physical risk mitigation** by subsidizing the cost to install water leak and fire detection and suppression systems in order to **reduce the total cost of risk**.

Rationale: Based on review of the limited dataset, the Authors have determined that water and fire damage are the two causes of loss associated with the largest total dollars paid. Effective mitigation devices are available, but many Housing Providers lack sufficient financial flexibility to pay for their installation. Subsidizing the cost would enable their installation, thereby reducing the risk of sizeable claims.

Cost: The cost of water leak and fire detection and suppression systems varies widely depending on the specific option. Certain fire suppression devices can cost as little as $40 per apartment unit, while sprinkler system installation could cost many thousands of dollars. A detailed review of the potential costs and benefits of these systems is beyond the Authors' expertise, but some analysis appears below.

Impact: Investment in mitigation can result in a material reduction in property damage and personal injuries (i.e., the total cost of risk) and the resulting claims filed with insurers. As a result, many admitted insurers offer premiums discounts for certain types of risk mitigation in other markets. For example, one mitigation device manufacturer indicates on its website that admitted insurers offer discounts ranging from 5% to 7% of the total premium after installation of a device that costs approximately $40 to $80 per apartment.[7] In a typical 40-unit property in this sector, assuming insurers offer similar discounts to the above, the units would pay for themselves via reduced premiums within the first year, before even considering the added benefit to the Housing Providers of avoiding property damage claims and the related disruption to their operations.

It is harder to estimate the return on investment for other mitigation measures for which insurers don't provide explicit premium discounts, because doing so requires estimating the cost of claims with and without the mitigation measures in place. This requires a large data set with claim data over time, which is not currently available. That said, the claims that these mitigation devices are designed to avert are many multiples of the cost of the mitigation devices. For example, a $3 million claim caused by a resident opening a standpipe (essentially, a fire hydrant inside the stairwell of a multi-story building) could have been prevented with the installation of one standpipe lock. (From an internet search, it appears that standpipe locks may cost in the $600 - $900 range, depending on the building, and without regard to installation cost).

A non-exhaustive list of specific devices and their costs and benefits are more fully described below.

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[7] Note that as stated above, most of the insurers in the Affordable Housing space do not file rates publicly and often do not maintain any rate manuals. Thus, it will be difficult to verify exactly what discount they will offer for these mitigation efforts. This example is provided for illustrative purposes.

Device	Benefit and Cost
Stovetop Fire Suppressors:	Unattended cooking is the largest source of apartment fires, affecting as many as 1 in 123 apartment units annually[8]. If a stovetop fire triggers a sprinkler system, the building may sustain substantial water damage. Stovetop fire suppressors are installed above the stove, and they release a fire suppressant powder that smothers the fire. Many admitted insurance companies recognize the benefits of stovetop fire suppression by offering insurance premium discounts ranging from 5% to 15%[9]. For a cost as low as $40 per stovetop[10], these devices can be very cost-effective mitigation option.
Stove Auto Shut-Off Devices:	According to the NFPA, the #1 cause of home fires is unattended cooking[11]. Auto shut-off devices turn off the stove automatically, for retail prices from approximately $140 to $750 per stove. One such system uses a motion detector to turn off the stove if it detects no movement nearby for 5 minutes[12]. Another system turns off the stove when the smoke detector alarm is triggered[13]. A third system turns the control knob of the stove to the off position after a preset period of time.[14]
Water Detection and Shut-Off Devices:	Although temperatures in Washington are typically thought of as moderate, the state recently experienced multiple days of below-freezing temperatures that caused water pipes to freeze and crack, leading to severe property damage. One Housing Provider that the Authors interviewed installs water detection devices in bathrooms that alert maintenance staff in the event of an overflowing sink, toilet or bathtub[15]. Flow monitors are a type of device that attach to the main plumbing line or water meter and detect water usage. All-in-one devices measure flow and temperature and can both notify the property owner and stop a leak in minutes – for example by shutting off the water supply

[8] Testimonials on the website of a leading manufacturer of stovetop fire suppressors. See https://www.auto-out.com/insurance-testimonial

[9] Note that E&S insurers and risk pools do not file rates; the credits listed here are for illustrative purposes only.

[10] https://www.auto-out.com/buy-now

[11] See https://www.nfpa.org/education-and-research/research/fire-protection-research-foundation/projects-and-reports/cooking-practices-and-fires

[12] See https://iguardfire.com/product/for-gas-stoves/ . Cost ~$700-$800. Also see https://www.crutchfield.com/S-HAk4kSV9UsS/p_289IGSECB/iGuardStove-Hardwired-Electric-Cooktop-Monitor-Black.html?XVINQ=GZ0&XVVer=1BKN&awcr=628259065608&awdv=c&awnw=g&awug=9003758&awkw=pla-1172928075523&awmt=&awat=pla&gad_source=1&gclid=Cj0KCQjw9Km3BhDjARIsAGUb4nwSSOXGbe5PCWkU2evtNm6Ayme--hHoSZViP6h7i8FZqxFtYAJV6UYaAmPKEALw_wcB cost of $499.

[13] See https://www.amazon.com/Fire-Avert-Electric-Shut-off-Safety/dp/B07SRK2K7C?th=1. Cost of $200.

[14] https://www.walmart.com/ip/SLGHLSAHG-Gas-Stove-Automatic-Fire-Off-Timer-Kitchen-Smart-Switch-Anti-Dry-Accessories-Parts-Natural-Gas-Gas-Stove-Timer-Right-Switch-A2108/6594509227?wmlspartner=wlpa&selectedSellerId=101660275&gclsrc=aw.ds&&adid=22222222227659450922 7_101660275_165377129743_21647682467&wl0=&wl1=g&wl2=c&wl3=711648784468&wl4=pla-2348075677800&wl5=9003758&wl6=&wl7=&wl8=&wl9=pla&wl10=5357056573&wl11=online&wl12=6594509227_101660275&veh=sem&gad_source=1&gclid=Cj0KCQjw9Km3BhDjARIsAGUb4nw8UYb51ip3u8yiluYyTxFmZXxNes82htKViB0WJbsVJexZRechWQoaAsSyEALw_wcB . Cost ~$35 per burner knob, or $140 per stove assuming four burners.

[15] See examples here: https://www.monnit.com/products/sensors/water-detection/water-rope/ where wireless puck sensors cost $164 each, and rope sensors cost ~$250-$350 each;

Device	Benefit and Cost
	when it is at risk of freezing. The cost of all-in-one devices starts at approximately $600, plus the cost of professional installation, for consumer-focused systems, or more than twice that amount for commercially-focused systems.[16]
Standpipe Locks:	Standpipes are rigid, vertical pipes that extend the fire hydrant system into multi-story buildings, to which fire hoses can be connected. Several Interviewees described sizeable insurance claims caused by accidental opening or intentional tampering of standpipes. Standpipe locks prevent accidental opening and tampering by limiting standpipe access to the fire department. Standpipes can be purchased for approximately $600 to $900 but must be professionally installed.
Sprinkler Systems	Washington state mandates the installation of sprinkler systems in multi-family residential buildings, but many affordable housing properties pre-date that requirement. According to one sprinkler system vendor[17], buildings with commercial fire sprinkler systems suffer 50% less property damage than those without, and the cost to retrofit existing properties ranges from $2 - $7 per square foot of coverage.

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[16] See https://www.reliancedetection.com/plumbing-leak-detection/wireless-app-based-systems/starter-kits;
[17] https://smokeguard.com/blog/2022/february/02/what-is-the-cost-of-a-commercial-fire-sprinkler-system

Policy Option #5: Mitigate behavioral risk by implementing changes to state law and procedures to provide Housing Providers with more control over which tenants they house, while adding protections for PSH residents who require inpatient medical or mental health treatment.

We note that there are many broader implications to legislative changes such as the ones described in this section. As is consistent with our scope, our report solely focuses on the impact such legislation would have on property & liability insurance costs. The other impacts of such legislation, which are largely outside of the scope of this study, would have to be carefully considered by the legislature before implementation.

Changes could include:

- Empowering Housing Providers to screen applicants and deny entry to any that pose a greater risk to the property or to other residents in the property, or to residents that they believe they are currently not equipped to best service.

- Implementing a streamlined, accelerated process by which Housing Providers can relocate residents who may be decompensating, in critical need of inpatient treatment, or pose a serious risk to the property or other residents through a state-run program.

- Holding a PSH resident's unit for them temporarily if they are transferred to an inpatient medical or mental health facility for treatment.

Rationale: Housing Providers' mission is to provide housing and other support to the people who need it the most, rather than to maximize profit. Consistent with that mission, Housing Providers often accept applicants with little prior information about their mental health. A small percentage of residents may exhibit behavior that poses serious risk to property or other residents and create extraordinary risk or loss for the Housing Provider or their insurer. Without integrated access to inpatient behavioral health treatment, such a resident in crisis can endanger a Housing Provider's mission by putting other residents in danger or causing damage that renders the property uninhabitable while under repair. Despite that danger, the current process to relocate a resident in need of acute services takes many months – during which the resident's behavior may lead to sizeable insurance claims.

PSH residents can lose their unit automatically if they are transferred to an inpatient treatment facility, so that their unit can be made available to someone else. Additionally, once the resident is located within an inpatient facility, they may no longer meet the PSH requirements, as they are not homeless. They also cannot be released to homelessness. The risk of losing one's housing unit creates a disincentive for a PSH resident to seek or accept treatment when in crisis. If a resident's condition deteriorates as a result, they may harm themselves or other residents, or cause property damage.

As noted above, Housing Providers' primary mission is to house people who are homeless or at risk of homelessness. They are unlikely to deny housing to those who need it, except when necessary to fulfill their mission. Giving Housing Providers more control over their properties' occupants and the ability to more quickly remove tenants who are in crisis or who have caused damage to people or property should reduce property and liability claims and, over the long term, lead to higher availability and lower cost of insurance. Furthermore, removing the arguable disincentive for PSH residents to seek inpatient care when necessary, will improve their mental health and reduce risk to the property and other residents.

Challenges: Referrals to Housing Providers are typically made by municipalities rather than by the state, and those municipalities have a pressing need to house people and few options to do so. Accordingly, they may resist any legislation that gives Housing Providers more control over which residents they house, or that results in PSH housing units being unoccupied – even if temporarily while their resident is receiving treatment.

Additionally, the definition of PSH is that entry must be "low barrier" so any changes to entry rules would need to be carefully considered.

Finally, grants and trust funds frequently require Housing Providers to demonstrate that their units are occupied. If PSH units were allowed to remain unoccupied while a resident is temporarily placed in an inpatient facility, funding applications could be impacted.

Limitations: Although this option should reduce total cost of risk and insurance costs over time, it is unlikely to change insurers' perspective on this market or impact the availability and cost of insurance in the near term.

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Policy Option #6: Create a new **Public Insurer to provide renters' insurance**[18] for individuals placed into Affordable Housing units.

Rationale: Renters' insurance indirectly protects landlords and their insurance companies, as illustrated in the example below. However, PSH and extremely low-income residents cannot afford to pay for renters' insurance. Accordingly, Housing Providers do not require it from them.

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[18] Renters' insurance typically covers (i) damage to personal property of the tenant; (ii) the cost of temporary housing in the event that the policyholder is unable to stay in their apartment while it is being repaired; (iii) personal liability if the policyholder is legally liable for another person's injury or property damage; and (iv) medical payments to others. See
https://www.insurance.wa.gov/how-renter-insurance-works

Renters' insurance protects the policyholder from medical payments and personal liability if they cause an injury to another person, or damage to another person's property (among other things).

Based on the analysis of the small available dataset, tenants resulted in at least 30% of Housing Providers' insurance losses, but their lack of renters' insurance means that the Housing Providers' insurer cannot recoup its losses. If the property insurer can recoup its claim payments from the Public Insurer, it should be able to charge lower premium rates. Over time, insurers should pass those savings along to the Housing Providers.

Example of Renters' Insurance:

- A renter in apartment 3D accidentally leaves the faucet running while the sink is blocked, leading to water damage to apt. 2D.
- The landlord files an insurance claim under its property insurance policy to pay for the repairs to apt. 2D.
- After paying the claim, the landlord's insurance company attempts to subrogate against the claim from the company which provided insurance to the renter in apartment 3D.
- If the renter in apt. 3D has a renters' insurance policy, then the insurer will be able to recoup its losses from the renters' insurance company.

Risks:

- This option transfers a portion of the risk to the Public Insurer.
- If the premium charged by the Public Insurer is actuarially sufficient, then tenants and Housing Providers will likely not be able to afford the coverage, and premium for this entity would have to be subsidized by the state.
- If the premium is less than actuarially sufficient, then the Public Insurer will require ongoing funding to remain viable in the long run.

Dependencies:

There are many details beyond the scope of this review which would need to be studied before any such option is implemented. This includes the terms and layers of coverage provided by the entity, and the premium rates charged by the entity. If the Legislature wishes to explore this option further, the Authors recommend additional study of these issues.

The state will need to provide the initial capitalization for the Public Insurer. While the exact amount of capitalization needed would depend on the layers and terms of coverage provided and the risk tolerance of the legislature, an estimate is provided below for illustrative purposes. Assuming the renters' insurance fund was set up to cover 30% of the insured losses (our minimum estimate of the tenant caused losses), this would require annual premium of $5.4 million - $7.0 million (equals 30% times the total estimated premium cost for this segment of between $18.0 million - $23.4 million). An insurance entity writing coverage of this type would have a capital to premium ratio of approximately 1:1. With this in mind, given these assumptions, the required capital would be between $5.4 million - $7.0 million.

In addition, if the premium rates charged by the renters insurance entity are lower than necessary to pay claims and operating expenses and sustain its capital, then the state will need to provide a source of ongoing funds to cover its operating losses.

Cost: The state will need to provide the initial capitalization for the Public Insurer, as well as potential annual supplements to premiums.

Precedent: In 2023, the state of Oregon in SB5511, Section 9, set up a fund similar to the renters' insurance fund described here. The fund, subject to per claim and per location limits, covers claims which are tenant-caused. The fund reimburses Housing Providers directly and does not reimburse insurers for any claims submitted under insurance. Thus, it largely will cover smaller claims within the deductible of the Housing Providers' insurance. This was funded through general funds, though an analogous fund could be funded via a dedicated tax, assessment, and/or fee.

As currently constituted, this fund solely covers Permanent Supportive Housing which receives funding through the state, rather than all extremely low-income housing. As of October, 2024, the fund has not yet begun operations; the effectiveness and operation of the fund has yet to be tested.

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Policy Option #7 Increase the frequency and scope of **building inspections** and/or appraisals to identify risks such as electrical fire, roof leaks and other factors that increase risk, and highlight risk mitigation measures that have the potential to reduce insurance costs.

Rationale: Insurers require up to date information to properly underwrite and price risks. In the absence of recent inspection reports and/or appraisals, insurers may make overly conservative assumptions about the condition of the properties that results in higher premium costs.

Impact: If the appraisal or inspection report shows that the actual condition is better than assumed by the insurer, an updated inspection may lead to lower premiums. Conversely, the inspection or appraisal report may identify issues that the Housing Provider should fix to reduce risk. While the impact of this on a standalone basis is uncertain, in conjunction with state-subsidized mitigation measures (such as those described in Policy Option #4) it could be an important part of an overall program to reduce total cost of risk.

Challenges: Building inspections are conducted by local municipalities rather than by the state. Municipalities may not be willing or able to invest the necessary resources to increase the frequency and scope of property inspections.

Cost: Assuming that it takes an average of two hours to complete a building inspection and report and that a building inspector's salary and benefits are equal to the national average cost of all state and local government workers, the typical cost of a comprehensive building inspection is approximately $120. This cost is borne by the municipality that employs the building inspector. Alternatively, an appraisal for multi-family property, which typically includes a detailed calculation of the property value, typically costs a minimum of $350 and could cost several thousand dollars, depending on the size and complexity of the property and the scope of the appraisal.

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Policy Option #8: Enhance **building codes** for affordable housing properties to require certain minimum standards designed to mitigate property damage and personal injuries, coupled with public funding to assist Housing Providers to become compliant.

Rationale: Enhancing uniform minimum standards for this class of property to reduce the risk of property damage and personal injury claims would provide enhanced credibility in the underwriting process, reduce insured losses over time, and have the potential to reduce insurance costs for properties that are compliant with the new code.[19]

Impact: For new properties being built, this option will increase construction costs but may reduce their future insurance costs either if (i) insurers offer immediate premium rate discounts because of the mitigation measures; or (ii) the mitigation measures result in a reduction in insurance claims, which will enable the insurers to reduce their premium rates.

For existing properties, insurance costs may increase in the near term but should decline over time after implementation of the new mitigation measures.

- If a property claim requires major repairs, building codes typically require that the property be brought up to the current building code. Doing so typically increases the cost of the repair. Accordingly, insurers either increase their premium rates to reflect the increased cost of repairs, or do not cover the additional cost of bringing properties up to code.

- However, as the benefit of the mitigation measures becomes clear from claim data, insurers should be willing to reduce premium rates for properties with proven mitigation measures in place.

Challenges: Existing properties are typically "grandfathered" when new building codes are introduced, so the new codes apply only to new construction or in the event of major repairs. Enhanced building codes would therefore not apply to the existing stock owned by Housing Providers. As a result, it will take many years for this option to have a material impact on total cost of risk. In addition, building codes are enforced by local municipalities rather than by the state.

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Policy Option #9: Increase state funding for social programs that can be administered by or in partnership with Housing Providers.

Rationale: The purpose of PSH is to assist individuals to who are homeless or at risk of homelessness to be permanently housed in a stable environment. However, residents who suffer from mental health or substance abuse challenges may need ongoing counseling and medical support. If that support is unavailable, they pose a higher risk of damaging property or injuring other residents.

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[19] See https://www.eesi.org/papers/view/the-value-and-impact-of-building-codes

Several Housing Providers noted that social services such as mental health, substance abuse, and financial counseling have been reduced due to reduction in funding. The reduction in social services increases the risk that tenants will not receive support that they need, thereby leading to behavioral issues, property damage and liability claims.

Cost: Estimating the cost of specific social services such as these is beyond the scope of this study. If the Legislature chooses to pursue implementation of a policy option similar to this, it is imperative to work with the Housing Providers to determine the appropriate services and their relevant costs.

Limitations: While there are many benefits to this policy option, it is difficult to directly tie these benefits back to insurance costs. To the extent that it improves the overall behavioral profile of the residents of extremely low-income housing, insurers may offer credits, but it is unlikely that these rate credits would manifest over a short-term time horizon.

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Policy Option #10: Directly subsidize the cost of insurance for Housing Providers. This could take several forms:

- Increase the amount of funds that the Commerce Department provides to Housing Providers, to at least partially offset their increased cost of insurance – this is a real cost that Housing Providers cannot avoid. Increasing this funding is the fastest way to offset the rising cost of insurance so that Housing Providers can continue to execute on their core mission.

- Subsidize the cost of implementing mitigation measures that reduce the total cost of risk.

Rationale: As outlined throughout this report, insurance costs for extremely low-income housing have risen very rapidly over the past few years, far outpacing increases in insurance costs for Washington property and liability insurance as a whole. This rate of increase was not anticipated by the funding levels set out to assist providers of this service. An immediate increase in funding provided to Housing Providers would more realistically capture current insurance costs.

While many of the above proposals are designed to reduce loss exposure, and therefore premiums, over time, there is no guarantee that they will have a significant immediate impact. Several of the proposals will take a long time to implement and will have an uncertain impact on expected losses even in the long term. There is no guarantee as to how much or when an insurer will decrease premiums to reflect the changes. Providing immediate additional funding is a guaranteed way to immediately reduce the financial pressure on the extremely low-income Housing Providers.

Cost: The cost of this proposal would depend on the amount of subsidy that the state wishes to provide. If the state wishes to subsidize 25% of total cost of risk, this would require additional funding of between $2.7 million to $3.5 million per year. The various ways considerations regarding how funding could be provided are discussed in the "Sources of Funding" section above.

Limitations: Such a proposal would do nothing to resolve the issues that led to these rate increases in the first place. If funding is immediately increased without any other action, it is likely that a similar crisis will emerge in the future.

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Policy Option #11: Enact legislation to **create a standard of negligence** for certified Housing Providers such that they can only be held liable for actions of their residents or guests if they display gross negligence or bad faith.

Rationale: Insurance professionals interviewed pointed to liability claims as a growing source of losses for Housing Providers. Specifically, in instances in which a resident is behaving illegally or causing danger to others, the Housing Provider and its insurer may be sued for the behavior. Plaintiffs' attorneys may assert that if the Housing Provider had more staff on site, more security, etc., the incident would not have happened. One insurance professional stated that liability claims now account for approximately 20% of the claims experience.

This policy option envisions a situation in which certain qualified Housing Providers could only be sued for negligence in the event of gross negligence or bad faith. Housing Providers would be protected by this gross negligence standard if they became certified in resident safety by taking certain state-determined courses and by demonstrating compliance with state-determined resident safety standards.

As PSH Housing Providers are required to maintain low barriers to entry, including consideration of criminal history, Washington State may wish to lessen their liability in the event of resident or guest behavior, provided that the Housing Provider could demonstrate that they had been compliant with standards.

Over time, this should reduce liability claims and expected losses that insurers must reflect in their pricing.

Precedent: The Legislature has enacted different standards of negligence historically in specific cases. For instance, in 2003, the legislature enacted RCW 36.28A.080, which stated that, "units of local government and their employees. . . are immune from civil liability for damages arising out of the creation and use of the statewide first responder building mapping information system, unless it is shown that an employee acted with gross negligence or bad faith."

More recently, Chapter 370, Laws of 2024 amended RCW 71.24.907 to provide liability protections to responders to behavioral health crises in the course of their employment, and delivered under the clinical supervision of a mental health professional or approved medical program director, such that the responders can only be held liable for their actions or emissions in the event of gross negligence or wanton or willful misconduct.[20]

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[20] https://lawfilesext.leg.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/2088.SL.pdf#page=1

Policy Option #12: Combination

Many of our policy options identified above can be combined synergistically to provide more benefits than would be the case if implemented individually. As one example, if a Public Insurer is established, the Legislature could mandate rate credits for certain risk mitigation measures. The Legislature should carefully consider whether combinations of these policy options can be combined synergistically to optimize both short-term and long-term benefits.

Housing Provider Market Overview

While Housing Providers provide affordable housing to households with a variety of household income levels, this study is focused on the availability and affordability of insurance for Housing Providers *serving the "extremely-low-income" households*, which is defined by RCW 36.70A.030(17) as households earning 30% or less of the median household income in the county, as reported by HUD. ("Extremely Low Income"). (See Appendix B – Income Level Definitions).

Trust Funds Available to Housing Providers

Housing Providers have access to two distinct housing trust funds ("Trust Funds") that are intended to fund the gap between Housing Providers' revenue and expenses. Housing Providers apply to Commerce for these grants every second year, and adjustments to the amount of the grant may be made annually. A Housing Provider cannot receive grants from both Trust Funds in the same year.

Insurance expenses can be eligible operating expenses and can be covered by the Trust Funds. However, there are two reasons that they are not fully covering the increase in insurance costs for eligible Housing Providers:

1. **Timing:** The Trust Funds' application and decision process does not necessarily coincide with the timing of Housing Providers' annual insurance renewals. As a result, Housing Providers are likely to under-budget for insurance costs when premium rates are rising rapidly, as they have over the last several years.

2. **Funding:** Both grant programs are funded from a portion of the Washington State document-recording surcharge from each county's local auditor's office, and additional funding *may* be provided from the General Fund . However, the funding may not be sufficient to meet with funding gaps of all applicants, and the awarded grants may not completely cover their recipients' operating expenses. The Authors understand that one of the grant programs is not accepting new applicants, and instead grants funds to existing enrollees in the program.

The Trust Funds are described in more detail in the Appendix C – Trust Fund Descriptions.

Insurance Market for Housing Providers

Housing Providers have recently reported serious challenges in securing insurance coverage at affordable rates. This section describes those challenges, as well as the limitations in our ability to quantify the issues for this narrow subsector of the affordable housing market that is focused on extremely-low-income and PSH residents. The information in this section is from five primary sources including:

1. Publicly available presentations by Housing Providers during which they described their challenges,
2. Interviews with selected Housing Providers, which the Authors have summarized without attribution to specific individuals,
3. Responses to a survey of Housing Providers conducted by Authors,

4. Interviews with insurers and insurance brokers with expertise in this market segment, and
5. Insurance premium and claim data submitted to the Authors by Housing Providers.

Insurance Challenges for Housing Providers

During interviews with the Authors and public meeting hosted by the OIC work group studying this issue[21], Housing Providers described challenges in both availability and affordability of property and liability insurance, including:

- Insurers **declining to renew** a specific policy or **leaving the market** altogether;

- Annual **premium increases** that Housing Providers cannot afford given their limited budgets;

- **Decreasing insurance coverage** in the form of higher deductibles or lower limits or sub-limits.

    - **Higher deductibles:** The "deductible" is the portion of a claim that the insured must pay before the carrier pays any claim. For instance, if a Housing Provider has a $10,000 deductible on its policy, and submits a claim which ultimately costs $90,000, the Housing Provider will pay the first $10,000 and the insurer will pay the remaining $80,000.

      Almost all homeowners and personal auto policies have deductibles. The use of a deductible typically allows the insured to transfer the risk that is too much for them to retain. All else being equal, the premium for an insurance policy declines as its deductible increases.

      However, in this instance, many Housing Providers have no choice but to increase their deductible at renewal, either because that is the only option provided to them by the carrier, or because that is the only way that they can afford to pay the premiums. A higher deductible means that the Housing Provider retains more risk in the event of a loss. For instance, at renewal, a Housing Provider may choose (or only be given the option of) a $25,000 per occurrence deductible, instead of a $10,000 per occurrence deductible. Then in the event of the hypothetical claim noted above, the Housing Provider would pay $25,000, and the insurer would pay $65,000.

    - **Lower limits or sublimits:** In some instances, the limit of coverage (the total amount the carrier will pay, gross of the deductible) will be reduced. Alternatively, sublimits may apply on specific types of losses.

- Housing Providers **paying claims from their operating budgets**, rather than submitting claims to their insurers for payment, to reduce the risk of an unaffordable premium rate increase at the next annual policy renewal. As a result, some Housing Providers are paying out-of-pocket for damages that are covered by their insurance policy.

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[21] See https://www.insurance.wa.gov/housing-providers-using-housing-trust-fund-insurance-market-study-work-group

Housing Provider Testimonials

Note: These testimonials are all publicly available on the OIC work group website.[21]

Catholic Community Services/Catholic Housing Services ("CHS"):

CHS's insurance **premiums increased by 300%** over the last five years, while its deductibles also increased to their current level of $500,000 per occurrence (Note: this is a large Housing Provider, with higher deductibles than most).

Over the last 2.5 years, CHS **paid $775,970 out-of-pocket for its largest incidents**, excluding one $2 million claim that will be partially covered by insurance. The cost per incident ranged from $30,000 to $97,000. These costly incidents all stemmed from fire or water damage and had a handful of underlying causes including (1) fires that set off sprinklers; (2) water leaks; (3) overflowing toilet; (4) damaged sprinklers; and (5) frozen pipes leading to floods.

Tacoma Housing Authority ("THA"):

THA **suffered a $3.2 million major loss in 2023 caused by a tenant opening the standpipe**[22] in the 4th floor stairwell. 59 of 64 units in the building were flooded. Those residents had to be temporarily relocated while repairs were underway, which took more than a year.

Prior to the major loss, THA was facing a 25% premium increase, which is typical for Housing Providers that have not experienced claims. After the loss, THA's carrier of nine years informed it that it would not renew the insurance policy. THA's insurance broker approached 27 carriers and received 2 quotes for primary coverage and 1 quote for excess coverage that were a 168% increase over the prior year. THA was ultimately able to place most of its property and general liability coverage with HAI Group for a **47% premium increase**.

In early 2024, a deep freeze caused pipes to burst, leading to flood damage in two properties that will cost an estimated $729,000. As of the time of its presentation, THA was unsure how much of these losses would be covered by insurance.

Volunteers of America – Eastern Washington & Northern Idaho ("VOA"):

VOA's costs have been very volatile and **premiums more than doubled in the last five years**, as shown in the table below:

[22] A standpipe is a pipe that extends the fire hydrant system into a building for firefighting purposes.

Year	Insurance Cost ($000)	Pct. Change	Primary Insurer	Claims that Impacted Premiums
2019	$63.8	n/a	Philadelphia Ins.	Last year of fire claim
2020	$38.2	-40%	Philadelphia Ins.	No claims
2021	$83.0	117%	Philadelphia Ins.	No claims
2022	$240.9	190%	Philadelphia Ins.	Two claims (1 fire, 1 water)
2023	$135.2	-44%	Nonprofit Alliance	Changed carrier
2024	$140.3	4%	Nonprofit Alliance	No claims
2025 (est.)	$160.7	15%	Nonprofit Alliance	

In 2021, VOA's primary carrier initially declined to renew the policy, then ultimately agreed to renew with a 117% premium increase. VOA's premiums increased by another 190% in 2022. After two claims, its carrier declined to renew the policy in 2023. VOA was accepted by a risk pool in 2023 and received a 44% premium reduction but is expecting a 15% increase in 2025.

VOA's **damages in PSH units increased by 44% over the last three years due to damage caused by high acuity individuals.** VOA did not submit insurance claims due to the concern that its insurance policy would be non-renewed and has paid more than $270,000 in maintenance and repairs this year.

Landlords are now requiring renters' insurance for PSH tenants, which VOA had to provide on behalf of the tenant. It is becoming harder to find units to lease for PSH tenants due to landlords' recognition of the risk associated with them.

As a result, VOA has reduced its PSH portfolio by 20%.

YWCA (Seattle, King County, Snohomish County):

In 2022, YWCA had **claims caused by arson** and a smaller fire. As a result, its primary insurer declined to renew its policy in 2023. Its broker approached more than 130 carriers, but many of them declined to offer a quote. YWCA eventually managed to secure coverage from seven different carriers, with a **190% increase in premium costs**. For multiple locations it was **unable to find coverage from a single carrier due to the size of the building or its construction type (wood frame construction over 4 stories).**

Other Housing Providers Interviewed by the Authors:

Interviews with Housing Providers revealed similar insurance challenges as described above, including challenges with affordability and availability of insurance, coverage restraints, and not submitting claims to carriers for fear of problems at renewal. An overarching concern expressed was that Housing Providers may not be able to continue their work if revenues from rents and grants cannot cover operational costs, including the Total Cost of Insurance (insurance premiums plus retained loss).

One Housing Provider expressed that premiums had doubled over the last three years without a material change in claims history. Another Housing Provider, which has experienced claims, stated that premiums increased approximately 60% at the most recent renewal with a material increase in deductible from $25,000 to $100,000 per occurrence.

Housing Providers described a variety of claims including:

- Burst pipes during a winter freeze
- Rats eating through plumbing or wiring
- Stove fires that caused damage, leading to water damage from sprinkler systems
- Sprinkler systems intentionally set off by residents
- Standpipe intentionally opened by resident, causing major flooding damages and relocation expenses.
- Arson
- Bathtubs or sinks left running and overflowing
- Firearm discharge into a neighboring apartment

Housing Providers also described risk mitigation actions they had taken to limit damages to their properties, including the installation of devices to reduce the risk of fire or water damage:

- Standpipe locks (which may require permission from the local fire marshal)
- Stove/range cutoffs if the stove has been on for a long period of time
- In-unit water sensors that cause an alarm when water overflow is detected
- Firestops on ranges that suppress stovetop fires (and reduce the risk of damage from sprinklers)
- Sprinkler systems

A number of Housing Providers noted that the acuity of some of the PSH residents that they are receiving is not consistent with the model of care they can provide. They also noted that because of logistical or legal issues, the relocation of a resident who intentionally causes harm to others or to property can be challenging. (Instances of arson and firearm discharge were cited, with relocation still pending after several months). Other Housing Providers objected strenuously to these assertions. Several Housing Providers expressed that they needed better access to Behavioral Health Services on behalf of their residents. A Housing Provider mentioned that they have difficulty conducting necessary repairs because the tenant must allow the Provider into the unit to conduct these repairs, and some tenants may not always allow this.

Housing Provider Survey Results

The Authors conducted a confidential survey of Washington State Housing Providers. This section of the report summarizes the survey results. A sample of the survey is included in the appendix.

Changes in Premiums, Deductibles and Total Insured Value:

Of the 41 survey respondents, a subset of 22 responded to the "insurance snapshot" portion of the survey, and 14 provided the Authors with the annual change in their insurance premiums for each of the last four years. The Authors note that the survey information reflects the entire insurance portfolio of the providers and is not restricted to the units receiving Commerce trust funds related to extremely-low-income households. Additionally, the figures are self-reported by the providers and could not be validated.

Reviewing premium increases of this small dataset in isolation could be misleading, as many Housing Providers were simultaneously experiencing large increases in the total insured value of their properties ("TIV"), either because new properties were obtained and/or because the insurer deemed their current property valuation to be inadequate. As the TIV rises, insurance premiums will also naturally rise.

Also, during that period, many of the Housing Providers increased their deductibles in an effort to slow the rising premium costs.

With those many variables in play and excluding two outliers of exceptional and unusual TIV increases, the average *annual* increase appears to be approximately 28%. This is substantially higher than the average annual filed increase in Homeowners premiums over the same period (approximately 30% over all five years, as described later in our report), and as noted earlier, reflects increasing deductibles in many instances.

Summary of Other Survey Responses

Under Reporting of Claims: Many survey respondents indicated that they do not report claims that they estimate will be at or less than the value of their deductible. Several respondents indicated that they do not report claims unless they exceed a dollar amount that is much higher than their deductible (1.5x or 2.0x, or a $10,000 higher, for example). These respondents are not using the insurance that they have purchased, in an effort to mitigate the risk of future premium increases.

Loss Mitigation: Survey respondents noted a wide range of measures that they employ to reduce the likelihood and size of losses. These included devices that reduce the risk of property damage and resident safety from fires and water leaks; safety training for staff and residents; security measures; and regulator inspections and maintenance.

Some respondents that a substantial portion of their losses are the result of tenant behavior, frequently related to substance abuse. Those respondents noted on-site or residential staff, security measures, and tenant education as key mitigants.

Causes of Increasing Claims: Respondents indicated that the risk of property and liability claims has increased in recent years due to the following factors.

- Increased acuity levels of residents, including an increase in residents suffering from substance abuse and mental health challenges. These residents may pose a greater risk to property and/or other individuals; are not knowledgeable about home upkeep; and require more specially trained staff, which creates an additional drain on Housing Providers' budgets.

- Lack of response by law enforcement.

- Changes in tenant protection laws and reduced support from local municipalities and law enforcement make it increasingly difficult to evict or relocate residents who refuse to pay their rent or demonstrate mental, behavioral, or substance abuse issues that are outside of the ability of the Housing Provider to manage.

- Reduced staffing levels necessitated by lower rent collection.

- Depletion of operating reserves that are needed to tolerate higher insurance deductibles, due to lower rent collection.

Interviews with Insurance Industry Personnel

The Authors participated in a July 9, 2024 Work Group meeting during which insurance industry participants discussed the issues impacting the market, then conducted numerous interviews with insurance companies and brokers that specialize in the affordable housing sector. This section summarizes the main points communicated during those sessions.

Insurance Premium Rate Regulation:

The OIC regulates premium rates only for "admitted" insurers, but few admitted carriers are writing policies for Housing Providers. As a result, most of the Housing Providers are receiving their insurance from risk pools (AHRP, HARRP, NPIP) or from excess & surplus ("E&S") lines carriers (also called "non-admitted" carriers). The Washington State Office of Risk Management regulates risk pools' solvency, but not their rates. E&S carriers can only cover entities that have been refused insurance coverage from at least three admitted carriers. The OIC does not regulate E&S carriers' policy forms or premium rates.

Causes of Rising Insurance Premiums:

Property insurance rates are rising everywhere due to (i) inflation in the cost of repairs and property values; (ii) increased catastrophe risk; and (iii) higher costs for reinsurance.

In addition to industrywide trends, Housing Providers' insurance premiums are rising due to:

- Higher risk of **liability claims**, which has caused many carriers to exit this market segment. Causes of increased liability claims include:
  - Increased criminal activity, which could lead to personal injuries and lawsuits against Housing Provider blaming them for insufficient security at the property.
  - Increased incidence of dog bite claims.
  - Increased incidence of disputes among tenants.
  - The absence of liability caps in Washington State, which increases insurers' and Housing Providers' liability risk as compared to states that have liability caps.

- A higher proportion of **damage caused by tenants** (57%) in Washington than in other states[23]. Damage to sprinkler systems, leading to floods, was cited as a recurring issue.

- **Admitted carriers exiting the market** because they are not experienced or comfortable insuring Housing Providers' wraparound services, such as behavioral and mental health services.

- Increased **frequency of water claims**.

- The need to **increase the total insured value** of the property in order to procure reinsurance.

- **Higher acuity levels** of residents, leading to more losses.

- **Construction types**, including multi-story wood frames, that have high insurance prices.

- **Limited budgets** of Housing Providers, which constrains their ability to inspect plumbing and electrical systems, update roofs, employ full-time maintenance teams, or conduct regular inspections of the apartment units in their properties.

- **Inability to require renters' insurance**, which would allow the primary insurer to recoup a portion of any losses caused by a tenant from their renters' insurer.

Information from Data Call

In addition to the loss and premium information received in the data call, the Authors requested underwriting and non-renewal files related to any addresses in the listing provided by Commerce, described earlier in this report.

Most of the underwriting files provided scant information and did not appear to include material files on the causes for non-renewals. (Again, the vast majority of these policies are not written by admitted carriers, and therefore are not regulated by the OIC).

However, the underwriting files for one carrier were more thoroughly documented. Because the underwriting files provided reflected the Providers that the carrier selected to insure, they provide insight into what that carrier perceived as qualities of Housing Providers that reduced risk. They included:

- Large number of volunteers relative to employees
- Wide array of services offered on site
- On-site staff
- Strong risk management/risk controls in place to limit risk
- Safety programs
- Typically, organizations with long history and record of experience

[23] Cited by one insurance provider that serves multiple states.

Insurance Industry Primer

Historical Context

Insurance is the practice of *pooling* and *transferring* risk to protect against unforeseen events that can threaten physical and/or economic security. The concept of **risk pooling** has existed from the earliest human communities, in which hunting, gathering and security were collective responsibilities. Early forms of insurance facilitated growth in **maritime trade** among ancient civilizations by enabling a ship owner to transfer the risk of a ship's loss to – or share it with – other parties. An early form of **mutual insurance** arose in Europe during the Middle Ages, as members of guilds contributed to a common fund that provided financial assistance to its members in the event of a financial setback, such as a fire that destroyed a workshop[24]. Modern mutual insurance companies are owned by and operated for the benefit of their policyholders, rather than to earn profits for third party investors. Modern property insurance was developed in the wake of the 1666 Great Fire of London, which destroyed more than 13,000 homes. This disaster led to the creation of (i) the first property insurance company; (ii) a modern fire department; (iii) building codes that prohibited construction of wood structures within city limits; and (iv) a court to resolve disputes regarding who should bear financial responsibility for the fire loss.[25] Those concepts are all still in existence today. Since then, the insurance industry has continued to adapt to new and emerging types of risk. For example, cyber insurance was first created in the early 1990s, and has experienced explosive growth since then as the risk of theft or disruption of online assets has increased.

Insurance Concepts and Terminology

The concepts and definitions described in this section are important to understand when considering potential options to the current challenges Housing Providers are facing with the affordability and availability of insurance.

Definitions of Policy Terms: A policyholder pays the insurer a "**premium**" to accept the risk. The insurance policy specifies the amount of the premium, the types of risks that are covered, the time period during which incidents (or "events") are covered, the maximum amount that the insurer will pay under the policy (called the "**policy limit**" or "total insured value"), and various other terms. If the policyholder suffers financial harm from an event that is covered by the insurance policy, the policyholder can file a **claim** against the insurance company. Covered claims that result in payments by the insurer are referred to simply as **losses** (or "covered losses") or claims. If the insurance policy has a **deductible**, the insurer deducts the amount of the deductible from the amount that it pays. If damages from the covered event are less than the deductible, then the insurer does not pay anything.

Transfer of Covered Risks: An insurance policy transfers risk from the policyholder (or "insured") to the insurer. In this context, "risk" refers to the possibility of financial harm due to an unforeseen incident, such as an accident or a fire. **Property risk** is the risk of damage to property such as a home or personal

[24] Insurance Guru, History of Insurance

[25] See *The London Museum: How the Great Fire of London Created Insurance*: BBC News, Five Ways the Great Fire Changed London, 2016[26] See *Principles of Risk Management and Insurance (13th ed.)*, Rejda, G. E., & McNamara, M. J. (2017)

belongings. **Liability risk** is the risk of being held financially responsible for harming another person or their property. Housing providers must purchase property insurance to cover physical damage to their buildings and liability insurance to cover other risks, such as an injury to a resident resulting from a broken handrail.

Insurable Risk: Not all risks are insurable. Basic insurance principles require that for a risk to be insurable, it should (i) be measurable; (ii) be accidental and uncertain, rather than controlled by the insured party; (iii) be one of a pool of similar risks that is large enough to allow reasonably accurate predictions of future losses; (iv) have a cause and time of loss that is definite and easily identifiable; (v) be non-catastrophic, in the sense that it is not so widespread that it threatens the insurer's ability to pay claims; and (vi) have affordable premiums, in the sense that they are reasonable compared to the potential payout.[26]

Indemnity: The insured should be restored to the same financial position as they were in before the loss, but not better. This principle eliminates the policyholder's incentive to profit from a claim and ensures that the policyholder and insurer have a common interest in avoiding a loss event.

Utmost Good Faith: Both parties must disclose all material facts that could affect the insurance policy. If either party fails to uphold this principle, the contract may be voided. One example of this could be the policyholder's failure to disclose past losses that would have been covered by the insurance policy during the application process.

Insurable Interest: The insured must have a legitimate reason to insure the property in question because they will suffer a financial loss if the insured event occurs. Otherwise, anyone could insure a property that they don't own, damage it without any risk of personal loss, then file a claim with the insurer.

Risk Management Strategies: There are five primary strategies for managing risk.

1. Risk Avoidance eliminates the risk by avoiding the activity which gives rise to the risk. For example, avoiding skydiving eliminates the possibility of injury from a skydiving accident.

2. Risk Reduction (also referred to as risk mitigation) entails taking action to reduce the likelihood of the risk event occurring, and/or the size of the loss if the event does occur. For example, installing smoke detectors and fire alarms in homes reduces the risk of fire damage.

3. Risk Transfer involves shifting the risk to someone else – for example, by purchasing an insurance policy that shifts the risk of the loss to the insurer.

4. Risk Spreading is the process of pooling together risks from multiple difference sources. For example, insurance companies write policies for many different policies, often across different lines of business and geographic areas

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[26] See *Principles of Risk Management and Insurance (13th ed.)*, Rejda, G. E., & McNamara, M. J. (2017)

5. Risk Retention is the acceptance of the risk, including its financial costs in the event of a loss. For example, a homeowner may forego hurricane insurance coverage in exchange for a lower homeowners' insurance premium. In that case, the homeowner retains the financial risk related to hurricane damage. Choosing a higher deductible on the insurance policy is another such example. (See Policy Terms below).

Loss Mitigation: The policyholder must take reasonable steps to minimize damage and prevent further losses after a covered event. For example, if a homeowner's roof is damaged and leaking after a storm, they should attempt to have a contractor cover it with a tarpaulin until it can be properly repaired.

Calculating Insurance Premiums

The premium amount charged by the insurer is developed as the sum of all the insurer's estimated costs from the insurance policy, plus a profit margin. (See also Insurance Ratemaking Principles below). The primary elements of those costs are further described below.

Insurance is one of the few products whose price must be set before its cost is known.

Covered Losses: The largest component of cost is typically the **estimated covered losses**. The insurer estimates covered losses by analyzing past data on similar risks. It uses that data to estimate the probability that a covered event will occur and the amount of its covered losses if the event occurs. To estimate the risk of events that are very unlikely to occur but will be very costly if they do occur – such as hurricanes or earthquakes – the insurer typically supplements its historical data with estimates from "**catastrophe models**" developed by specialized analytical firms.

The losses used in premium calculations are not entirely dependent on the actual covered losses on a particular policy. For example, the use of a large pool of similar risks is necessary to estimate losses on a property for which the insurer has no direct experience. Typically, any one policy will not have sufficient volume to be the sole basis for a loss projection. By grouping together similar risks, an insurance company can review more data to create more stable projections.

Note that many insurance company rate plans, particularly in commercial lines, do incorporate individual policy loss experience via experience rating. For example, an individual policy has loss experience (either frequency or severity of claims) higher than anticipated in the overall rate plan, the insurance company will likely issue a surcharge on the policy to account for this.

Operating Expenses: The insurer also estimates **all the operating expenses it will incur** to issue and manage the policy – such as commissions paid to insurance brokers, its employees' salaries, fees paid to independent insurance adjusters and law firms, and so on.

Net Cost of Reinsurance: Insurance purchased by one insurer from another (called the "reinsurer") is called reinsurance. Insurers purchase reinsurance to limit their losses in the event of a large event such as a fire that destroys an entire property or a natural catastrophe that causes severe damage to an entire region. The insurer (also referred to as the "cedent") transfers (or "cedes") a portion of its risk to the reinsurer, which “assumes” the risk, in exchange for the insurer’s payment of a reinsurance premium. The reinsurer pays a “ceding commission” to reimburse the cedent for a portion of its costs to sell the policy, such as commissions and marketing costs. The reinsurance premium, minus the ceding commission, minus the portion of covered losses that the reinsurer is expected to pay, is the net cost of reinsurance. This is a necessary cost for most insurers and should be factored into the insurer’s calculation of premium rates.

Cost of Capital: An insurer should also consider its cost of capital when setting rates. This is calculated as the rate of return an investor requires in order to invest in the business (instead of investing in a different business), multiplied by the amount of the investment required – for which minimum regulatory capital (see below) is a reasonable estimate.

Direct investment by an owner into an insurance company is referred to as “capital,” and net profits that have accumulated over time are referred to as “surplus”. **Capital and surplus** together are the equivalent of owners’ equity in the business. Capital and surplus can also be thought of as a “cushion” to protect policyholders if the insurer’s reserves – which it sets aside to pay future claims – are inadequate.

Accordingly, regulators require insurers to hold a minimum amount of capital and surplus (“**regulatory capital**”) that reflects the amount of uncertainty in the insurer’s business. An insurer that invests in risky assets and is exposed to highly volatile liabilities (such as catastrophes) will require more regulatory capital than one that invests only in U.S. Treasuries and covers stable, well understood risks. Therefore, the insurer’s concentration by line of business, asset investment strategy, catastrophe exposure and reinsurance program all impact its regulatory capital requirement.

Profit Margin: To the elements of cost described above, an insurer adds a target profit margin. Mutual insurers may also include a “profit” margin if necessary to build up their capital and surplus to enable growth and fulfil their mission, or to better protect their policyholders going forward.

Insurance Ratemaking Principles

According to the Casualty Actuarial Society, insurance premium rates should be based on actuarial estimates of <u>all future costs of providing the insurance for each property individually</u>.[27] The Casualty Actuarial Society has established four ratemaking principles:

1. A rate is an <u>estimate</u> of the expected value of <u>future costs.</u>

2. A rate provides for <u>all costs associated with</u> the transfer of risk.

[27] *Source: Statement of Principles Regarding Property and Casualty Insurance Ratemaking.* https://www.casact.org/sites/default/files/2021-05/Statement-Of-Principles-Ratemaking.pdf

3. A rate provides for the costs associated with an individual risk transfer.

4. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

When estimating future costs, insurers must consider historical trends as well as costs related to catastrophes and reinsurance – which is necessary for most insurers.

- **Trends:** When using past losses as a proxy for expected future losses, consideration should be given to past and prospective changes in claim costs, claim frequencies, exposures, expenses and premiums. For example, historical data for property damage claims should be adjusted to reflect subsequent changes in the cost of construction – which could be caused by inflation in labor costs or higher costs for construction materials.

- **Catastrophes:** Consideration should be given to the impact of catastrophes on the experience, and procedures should be developed to include an allowance for the catastrophe exposure in the rate. Catastrophe costs include the expected loss caused by the peril under consideration (e.g. hurricane, earthquake, tornado, wildfire), reinsurance costs to protect the insurer and the cost of increased capital required to maintain solvency after a high-severity event.

- **Reinsurance:** Consideration should be given to the effect of reinsurance arrangements. Insurers must demonstrate to insurance regulators and ratings agencies their ability to pay losses from a major catastrophe (e.g., a "1-in-100" year event)[28]. Typically, insurers with major catastrophic property exposure must purchase reinsurance to satisfy this requirement.

Insurance Market Overview

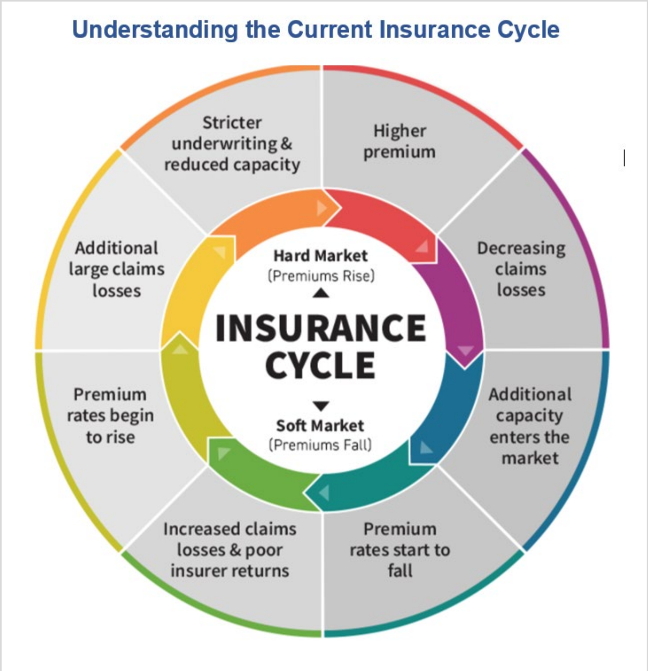
The intent of this section of the report is to provide further context behind why the overall market conditions have led to premium rate increases over the past several years.

The U.S. Property & Casualty Market is Cyclical, and Has Been In a Hard Market Since 2019

The property and casualty insurance ("P&C") industry is both highly competitive and notably cyclic, involving periods of "soft" market conditions when insurance is readily available and premium rates are stable, and "hard" markets when coverage is more difficult to find, and rates increase.

[28] *See Catastrophe Analysis in A.M. Best Ratings, October 13, 2017* (http://www3.ambest.com/ambv/ratingmethodology/OpenPDF.aspx?rc=190784)

Understanding the Current Insurance Cycle: Global insurance broker Lockton Re provided this helpful graphic illustrating the phases of the insurance cycle.



Source: Understanding the Current Insurance Cycle, Lockton Re, 2020

Since 2019, the P&C industry in the U.S. has been in a sustained hard market. While there are some signs of improvement, hard market conditions persisted into 2024, forcing higher rates and continued restrictions in unavailability as insurers look to de-risk.

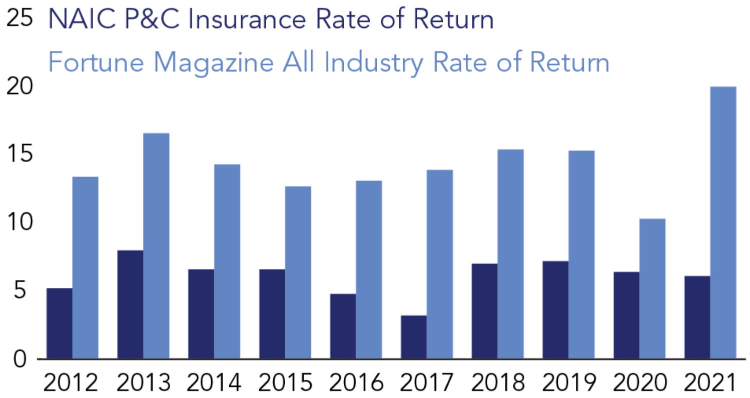
In 2019, analysis from the National Association of Insurance Commissioners (NAIC) identified the shift from a 12 year-long soft market that was just beginning to change: "[s]oft market conditions are characterized by flat or declining rates, relaxed underwriting standards, abundant capacity and increased competition among insurers. Although soft market conditions have existed in the U.S. property and casualty insurance industry since 2007, the market is beginning to show signs of firming in most lines. This comes as the industry reported record catastrophe losses in 2017 and above average catastrophe losses in 2018."[29]

The financial impact on P&C insurers has been significant. According to industry data compiled by the NAIC, in 2023 the industry experienced total underwriting losses of $18.4 billion. This compares to a reported $27.4 billion in losses in 2022[30].

The graph below from the Office of Financial Research illustrates the financial impact of the hard market on property and casualty insurers. Even in periods of a soft market (2012 – 2018), the industry's rate of return lagged well behind other industry segments. This gap has grown even wider in the current hard market.

[29] *Source: U.S. Property & Casualty and Title Insurance Industries - 2019 Full Year Results, NAIC.*
[30] *Source: U.S. Property & Casualty and Title Insurance Industries - 2023 Full Year Results, NAIC.*

Figure 1. P&C Insurance Rate of Return vs. Fortune Magazine All Industry (percent)



Note: Return on net worth. P&C based on mean net worth and All Industry on year-end net worth. All Industry based on Industrial and Service sectors. This figure is provided by the NAIC and represents an approximation based on a simple average of Fortune's Industrial and Service sectors.
Sources: NAIC, OFR

The Reasons for the Shift to a Hard Market Are Not in Dispute

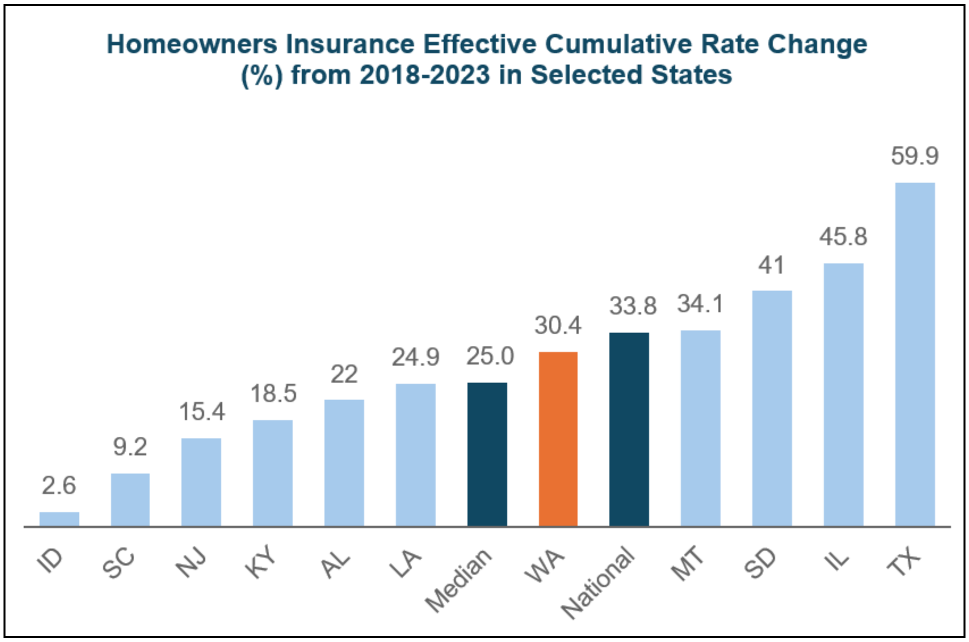
The shift to the persistent hard market occurred due to a confluence of factors including historic economic inflation, weather related events, rising loss costs, and volatility in the global reinsurance sector. *Wind, Fire, Water Hail: What Is Going on In The Property Insurance Market and Why Does It Matter, Office of Financial Research (2023).*[31]

In March of this year, AM Best attributed downgrades of 55 U.S. P&C carriers in 2023, compared to 30 in 2022, to "higher reinsurance costs, worsening economic and social inflation and rising loss costs in 2023. Many struggled to navigate the uncertain economic environment and reported deteriorating results." *Source: US Property/Casualty Downgrades Outpace Upgrades in 2023, Best's Special Report (2024).* AM Best expects this cycle to continue.

The Hard Market Has Forced Premium Rates to Rise While Reducing Availability of Coverage

In the State of Washington, homeowners' insurance rates have increased more than 30% in the five-year period between 2018 and 2023. The following chart compiled based on industry data demonstrates that this is a national crisis, with homeowners in Florida (43%), Texas (59.9%), Utah (51.9%), and Oklahoma (42.2%) experiencing the most significant rate increases.

[31] The property insurance sector is under pressure from poor financial performance due to unexpectedly high inflation, a shift of exposures to higher-risk areas, and rising reinsurance costs. In addition, the insurance industry is incurring rapidly growing losses from modest sized but more frequent weather events such as severe convective storms resulting in large cumulative losses. These changes have resulted in the traditional insurance and reinsurance economic models becoming stressed and causing significant disruption in the traditional insurance operating model.

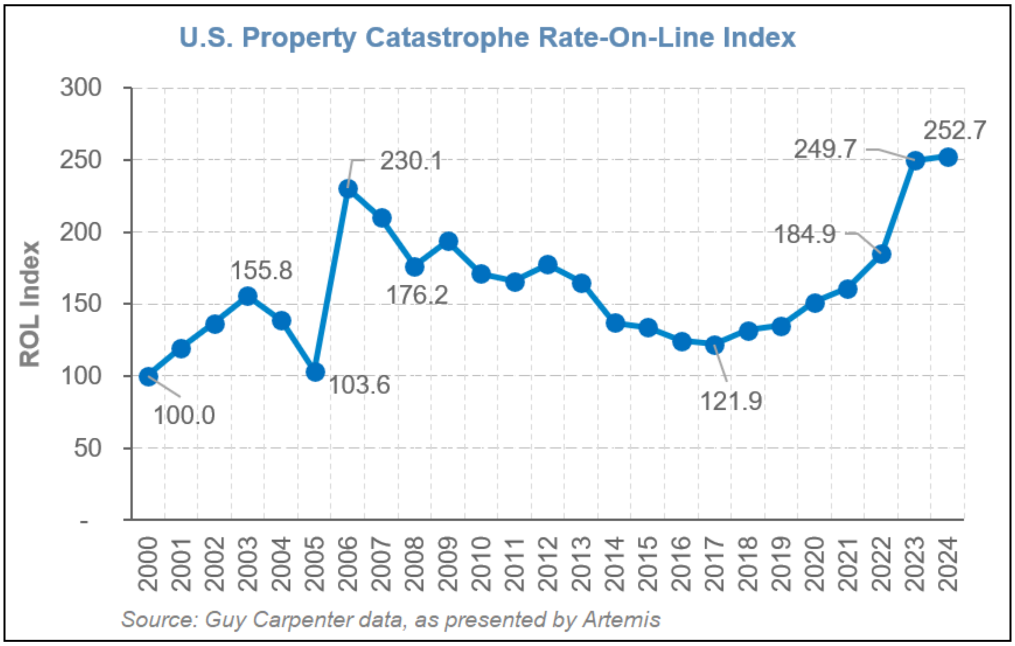


The following chart demonstrates that impact of economic inflation on loss costs as a key driver in homeowners rate increases. The sharp spike in building materials and related supply costs since 2019 are costs that are absorbed by insurers to replace damaged property and are then passed to the consumer in the form of future rate increases.

Volatility in the Reinsurance Market Has Made the Problem Worse

The reinsurance markets provide a critical level of financial stability to insurers across all lines of business. Essentially, insurers utilize reinsurance to spread the risk of their direct business to a reinsurer. The reinsurance market also provides additional capacity to the direct markets, given regulatory capital and other constraints that limit the amount of risk that a direct writer can place on their balance sheet[32].

Since 2019, the global reinsurance market has also experienced significant market strain. They have experienced the same spikes in loss costs as direct writers and seen payouts increase due to weather related events over this period. Reinsurers raised rates which forced direct writers to take on more risk than they would like, causing them to increase their own rates, and so forth. The chart below presents the average "rate on line" for US property reinsurers over time. "Rate on line" represents reinsurance premium divided by reinsurance limit[33]. An increasing rate on line over time indicates that reinsurers are charging more for the same coverage than they were in prior years.



Attempts to Minimize Negative Consumer Impact of a Hard Market May Cause Unintended Consequences

In a hard market, or in other instances where *affordability* and/or *availability* of a particular line of insurance coverage is a problem for consumers, policymakers may attempt to mitigate the negative impact on consumers by intervening in the competitive market. Strategies that have been attempted by insurance regulators and legislators include *rate suppression, rate compression, freezing rates, restricting a carrier's ability to non-renew coverage to a specified percentage of total business in the state, and mandatory renewals*.

[32] A "direct writer" refers to the insurance company that provides the insurance to the insured directly. This is different, from instance, from a reinsurer.

[33] https://www.irmi.com/term/insurance-definitions/rate-on-line#:~:text=Rate%20on%20line%20(ROL)%20is,payback%20period%20of%205%20years.

However, these measures may create unintended consequences that create greater consumer distress. Insurance companies hesitate to provide coverage when they cannot charge rates that match the risk, or when they are restricted from using their own underwriting guidelines to choose which risks to insure. Insurance companies may choose to exit a state, thereby creating greater availability challenges to consumers. States may ultimately be forced to utilize residual market solutions for a broad sector of the market to replace the coverage that is lost when companies reduce writing or exit the state.

Insurance Regulation Overview

Many of the companies participating in this insurance market are not regulated by the OIC.

Market participants include risk pools, for-profit insurers and reinsurance companies.

- **Risk pools:** Two of top three insurers of Housing Providers are risk pools. The State of Washington enables risk pools to provide liability insurance under certain circumstances. Risk pools are owned by their policyholders and do not have a profit objective. Risk pools are regulated for solvency by the state's Office of Risk Management, but their premium rates are not regulated.

- **For profit** insurers and reinsurers: **Insurers** range from small insurers that cover one line of business in a single state to national or international carriers covering many lines of business.

More than half of the Housing Providers that responded to the Authors' survey are insured by risk pools that are not directly regulated by the OIC[34]. One such risk pool focuses on the affordable housing sector, and another focuses on non-profit organizations more broadly. By Washington law, these entities are not subject to regulation from the OIC.

Most of the other insurers cited by the survey respondents are non-admitted carriers – also referred to as "Excess and Surplus" (or "E&S") carriers. E&S carriers provide insurance coverage for "specialty" risks that admitted carriers will not cover. They policyholder must be denied coverage from at least 3 admitted carriers before an E&S carrier can provide coverage. The OIC does not have direct regulatory authority over E&S carriers' policy forms or premium rates, as (unlike admitted carriers) they are not required to maintain rate manuals or standard forms nor submit publicly available rate & form filings with the state.

Every insurer and risk pool in this market must purchase reinsurance to ensure that they remain solvent in the event of a very large loss – for example, a fire that destroys a building valued at $15 million, or a natural catastrophe that impacts many properties in a particular region. For example, the above-referenced admitted carrier, whose risks are geographically diverse, paid (or "ceded") more than $600 million of premiums to reinsurance companies in 2023. Generally speaking, insurers (or risk pools) that

[34] The OIC has regulatory oversight of insurance policy forms and premium rates of insurers that are provided a certificate of authority to do business in the state of Washington, which are referred to as "Admitted" insurers. However, the OIC does not have the same level of regulatory authority over Non-Admitted insurers, which are also referred to as "Excess and Surplus" (or "E&S") insurers and unauthorized companies in RCW 48.15.

are highly concentrated in one region or line of business will purchase more reinsurance than those that are well diversified. Because reinsurance agreements are commercial contracts between sophisticated parties, the OIC does not have regulatory authority over their terms or rates.

Appendices

Appendix A - Actuarial Methodologies

The purpose of this Appendix is to document the methodologies, assumptions, and selections underlying the actuarial analysis undertaken for this report. Consistent with Actuarial Standards of Practice, it is provided so that another actuary familiar with these lines of business can review the Authors' work.

Data Used in this Analysis & Its Limitations

Below, the Authors outline the data used in the analysis. Note that while general descriptions of the data received appear below, it is important in the context of this analysis to retain anonymity and confidentiality of the specifics of the data. For this reason, the Authors only discuss the data in general terms.

For the analysis, the Authors relied on a combination of:

- Information obtained from the insurers operating in this space in Washington. This information was obtained from a data call issued by us in conjunction with the OIC;
- A survey of Housing Providers in this space;
- Discussions with several key stakeholders in this space, including regulators, legislators, insurers, and Housing Providers; and,
- Publicly available information sourced by us, including information from insurance data agencies, rate filings in Washington, and other sources.

The data presented numerous challenges:

- Obtaining precise information specific to the units within the scope of this study was extremely difficult if not impossible. (Note that a "unit" refers to a living space for one household, comparable to an apartment. A unit may house one person or multiple people.)
    - The Authors were able to obtain from regulatory authorities a list of buildings which contain extremely low-income units within our scope (those that received Housing Trust funds); however, the listing did not contain specific information as to how many or which units within those buildings are extremely low-income units.
    - Insurers do not retain information on extremely low-income housing vs. other forms of affordable housing, either as it relates to premiums or losses.
    - While more detailed unit data could potentially have been obtained from Housing Providers, there are a large enough different number of buildings and Housing Providers that this process would be not be efficient within the scope of this project.
    - More importantly, even with this information, the Authors still could not have obtained specific insurance information related solely to the units in scope. The information provided in the data call did not contain enough information to be able to attribute premiums or losses to particular units within a building. Based on the interviews conducted with the insurers, the Authors do not believe the carriers are collecting specific enough information from the insureds to be able to perform this allocation reliably.

- 202 addresses were provided by the Commerce. Only approximately 75% of those locations were represented in the data received in the data call. Additionally, based on notably low premium amounts and other factors, the Authors find it likely that the premium and loss information for some of the locations represented only a small portion of the actual insured exposures.
- Based on the factors above, the Authors' initial analysis was necessarily based on the combined loss cost of all units in the buildings for which data was received. These could include units other than extremely low-income units.
- This market is served by a wide variety of insurance entities, including admitted insurance companies, excess & surplus lines insurance companies, and risk pools (see "Insurance Regulation Overview"). This presents challenges in gathering consistent premiums, exposure, and loss information.
- Few of the carriers in this space operate on an admitted basis; therefore, the Authors were not able to obtain any rate filings or rate manuals specific to extremely low-income housing.
- Some Housing Providers have large deductibles or may fail to report claims over the deductible (which otherwise, if reported, would be covered in part by their insurers) for fear of resulting increases to rates. Because most of the analysis relied on the information obtained from the insurers, the Authors do not have comprehensive information on claims retained by the Housing Provers which are never reported to the carriers.
- Some of the insurers did not provide data as to the number of insured units at each location. As number of units was the primary exposure base used in analysis, the Authors supplemented the insurance company data with data received from Commerce to estimate the number of insured units.
- The Authors also note that the units within the scope of this study do not represent the universe of extremely low-income Washington affordable housing units. They instead only represent the subset of those units which receive Housing Trust Fund allocations.

Actuarial Analysis of Data Call Information

In this section, the Authors summarize the actuarial analysis performed of the information received from the data call. This analysis was the fundamental basis behind most of the actuarial conclusions in this report.

Summary of Data Call Information

In the data call issued by the OIC, the Authors asked the insurers to provide premium and loss data related to the address listing from Commerce and with effective dates between 1/1/2019 and 12/31/2023. The Authors requested that loss data be evaluated as of 5/31/2024 or, if that were not possible, to advise of the alternate date. A copy of the detailed information request is included as an appendix to this report.

Underwriting files were also requested.

The data and information used in the course of analysis was received through October 3, 2024.

Assessment of Historical Costs

The assessment of historical costs was primarily based on the information the Authors received in response to the data call.

The following is a summary of the actuarial evaluation for the historical experience on a loss cost basis:

Property and Liability Loss Costs Per Unit

Accident Year	Total Trended and Developed Loss & LAE	Units	Cost Per Unit
2020	1,135,483	3,577	317
2021	5,495,384	3,868	1,421
2022	5,059,492	4,336	1,167
2023	5,769,141	4,675	1,234
Total	17,459,499	16,457	1,061
Latest 3 Years	16,324,016	12,879	1,267

The adjustments used to develop the total trended and developed loss & LAE are described in the "Indications" section below.

This 'cost per unit' analysis was the fundamental basis behind our analysis of the total insured loss. Again, note that the information received was provided for all units within the addresses in the list by Commerce, as opposed to only the units within the scope of this study. While all buildings on the list had at least one unit within the scope of this study, many of them also had other units not within scope as they targeted different classes of affordable housing.

In general, the Authors would expect that extremely low-income housing units have higher insurance costs per unit than other types of affordable housing, due to the differing resident populations. Thus, the Authors consider the results obtained from this analysis to be a reasonable low-end estimate. It is likely that the actual costs are higher than what is obtained from this analysis, which is why the Authors have presented all cost estimates as a range of reasonable estimates rather than a point estimate.

Based on the above, the Authors selected an annual insured loss cost per unit of $1,250 as of 2025. The Authors selected annual insured loss cost was based primarily on the actual costs for 2021-2023. While the Authors also received data for 2019 and 2020, in the Authors' opinion, the more recent data is significantly more representative of the current environment, due to significant changes in exposures over the past five years.

Note several adjustments which need to be made in order to estimate the total cost of risk, as shown on Exhibit I Sheet 1:

- The above includes only losses in the insurance layer. The total cost of risk would also include losses in the deductible layer (as well as, in theory, losses in the insured layer which are not reported to the insurance company, though these are difficult to reliably estimate). According to the data received, most of the Housing Providers have lower deductibles of $5k-$10k, though some have higher deductibles of $100k or more. Based on the Authors' review of the data and knowledge of commercial property pricing, the Authors are adjusting our cost estimate up by 20% to account for losses retained by the Housing Providers, increasing the annual estimate to $1,500 (=$1,250x1.2).
- There are 7,202 units within the scope of this study. This annual estimate of $1,500 per unit of total cost of risk translates to an estimated overall industry-wide annual total cost of risk of $10.8 million.
- As noted above, this is a reasonable low-end estimate. Based on discussions with Housing Providers and insurers, review of Housing Provider survey information, and detailed review of claims data, in the Authors' opinion, it is reasonable to increase this estimate by as much as 30% to account for the units in our data set that do not represent extremely low-income households, as well as the uncertainty inherent in extrapolating the relatively small data set to the whole industry. This creates a reasonable range of overall annual total cost of risk of $10.8 million to $14.0 million (=$10.8 million x 1.3).
- Additionally, for various purposes in this report, the Authors also needed to estimate the total cost to insure these exposures, not just the estimated losses. The Authors' industry analysis reflected in the rate indications (discussed below) produced a reasonable estimate of an insurance expense load in this market of 35%. These expenses include the costs to underwrite the exposure, produce the insurance contract, administer claims, and cover the costs related to excess reinsurance for claims that are not able to be covered by the policy issuing carrier. Accounting for a reasonable profit/risk load, the Authors arrive at a total expense ratio of 40% (including profit), which results in an expected loss ratio of 60% (1.0 minus expense ratio). Thus, the range of total cost of risk results in a total insurance cost (on a ground up unlimited basis) of $18.0 million to $23.4 million (equals our total cost of risk range of $10.8 million to $14.0 million divided by 60%).

Summary of Rate Indications

The Authors produced an overall rate level analysis from the historical experience provided. This analysis was produced separately for the property and liability experience. The full rate indication for each coverage is attached to this Appendix. These results indicate there could be additional upward pressure in rates moving forward, especially for liability coverage.

	Most Recent Year Earned Premium @ Current Rate Level	Initial Indication	Credibility Weighted Indication
Property	6,246,012	2.0%	3.8%
Liability	744,713	211.1%	136.8%
Total	6,990,725	24.3%	18.0%

Applying Property and Casualty standard ratemaking procedures to the data provided, the Authors produced current rate indications for the Housing Providers. The ratemaking procedures review historical exposure/premiums and losses and project them to current levels. A comparison of the projected losses and premiums produce an indication of the change needed to reach an actuarially sound rate on a prospective basis for the collection of exposure reviewed.

The following is an outline of the procedures conducted to produce the rate indications:

- The Authors reviewed data provided from each carrier, and compared the information provided to the survey results from the Housing Providers. The Authors reviewed the data for reasonableness and consistency, and included that data from carriers that related to the properties outlined in the list provided by Commerce. Data that was not consistent with the list of properties was not included.
- The data was assembled on a calendar and accident year basis.
- Losses were assigned to accident year based on the date of loss provided.
- Written premium from each policy was calculated to an earned premium amount for each calendar year based on policy effective dates.
- The data was then aggregated, and the rate indications were produced.

Considerations in our Rate Indications

The credibility of the data used is limited. The overall exposure evaluated is at a level that does not provide a statistically valid sample of predicting future results. In the analysis performed, the Authors used a full credibility standard of 40,000 units and net trend as the complement of credibility.

Reported Losses were provided as of approximately May 2024. Each carrier reported any historical loss reported for this market segment for the previous five years. The carriers provided loss amount and allocated loss adjustment expenses (ALAE) for each claim. The final total ultimate loss amount will be determined when all claims are settled at some point in the future.

Loss Development Factors were selected based on review of historical development patterns for similar business. See Exhibit VI.

Loss Trend and Premium Trends were selected by us based on a review of filed loss and premium trends from Washington property and liability rate filings. See Exhibits IV and V.

Current Rate Level Factors were selected by primarily based on the rate information provided by insurers in response to the data call and information provided by the Housing Providers throughout the course of this project. For the purposes of reasonability checking, the Authors also reviewed overall industry rate changes in Washington for commercial property and liability. See Exhibit III.

Earned Premium is based on the premium from each policy provided and earned in each year from 2020 through 2023.

Catastrophe Loadings, ULAE Factors, and Permissible Loss Ratios were determined based on review of the factors present in property and liability rate filings in Washington. See Exhibits VII through IX.

Coverage Differences exist within the data. Historical coverages may be different than the current policy and/or future policies. These differences can be from deductibles, coverage options, and policy limits. The differences in coverage can lead to a lack of homogeneity in the data which can limit the credibility in the indications.

Conclusion on Overall Industry Rate Levels

The Authors note that the industry indications performed show significant indicated rate increases, even after accounting for historical rate increases already taken. If the insurance industry were charging excessive rates for this coverage, the Authors would expect to see significant indicated rate decreases.

Feedback from Housing Providers was largely consistent throughout the project in identifying that there have been significant large losses related to these exposures over the past five years. This is also apparent from analyzing the information received from the data call.

Based on this analysis, the Authors have seen no evidence that the insurance industry is charging excessive or unreasonable rates.

Statement of Qualifications

Rebecca Freitag, Greg Fanoe, and Peter Scourtis are Fellows of the Casualty Actuarial Society and Members of the American Academy of Actuaries. They each meet the basic education, experience, and continuing education requirements to issue this report.

Low End of Range	
(1) Selected annual insured loss cost per unit (property & liability combined):	1,250
(2) Selected factor to account for housing provider retained losses:	1.2
(3) Selected total cost of risk per unit for property & liability combined (1) x (2):	1,500
(4) Total number of units within the scope of our review:	7,202
(5) Selected annual TCOR for all units within our scope (3) x (4):	10,803,000
(6) Selected insurance industry permissible loss ratio:	60.0%
(7) Selected annual cost to insure all units within our scope, ground up (5) / (6):	18,005,000
High End of Range	
(8) Selected factor to adjust low end of range to high end of range estimate:	1.3
(9) Selected annual insured loss cost per unit (property & liability combined) (1) x (8):	1,625
(10) Selected total cost of risk per unit for property & liability combined (3) x (8):	1,950
(11) Selected annual TCOR for all units within our scope (5) x (8):	14,043,900
(12) Selected annual cost to insure all units within our scope, ground up (7) x (8):	23,406,500

Notes:
(1) is judgmentally selected based on data on Exhibit I, Sheet 2
For all other selected factors and items, see text of Appendix A for more details.

Davies Group
5550 Peachtree Parkway, Suite 600, Peachtree Corners, GA 30092
www.davies-group.com/us

Property

Accident Year	Total Trended and Developed Loss & LAE	Units	Cost Per Unit
	(1)	(2)	(3)
2020	943,957	3,577	264
2021	1,937,446	3,868	501
2022	1,984,131	4,336	458
2023	4,802,046	4,675	1,027
Total	9,667,580	16,457	587
Latest 3 Years	8,723,623	12,879	677

Liability

Accident Year	Total Trended and Developed Loss & LAE	Units	Cost Per Unit
	(4)	(5)	(6)
2020	191,526	3,577	54
2021	3,557,937	3,868	920
2022	3,075,361	4,336	709
2023	967,094	4,675	207
Total	7,791,919	16,457	473
Latest 3 Years	7,600,393	12,879	590

Total (Property + Liability)

Accident Year	Total Trended and Developed Loss & LAE	Units	Cost Per Unit
2020	1,135,483	3,577	317
2021	5,495,384	3,868	1,421
2022	5,059,492	4,336	1,167
2023	5,769,141	4,675	1,234
Total	17,459,499	16,457	1,061
Latest 3 Years	16,324,016	12,879	1,267
Selected			1,250

Notes:
(1) From Exhibit II, Sheet 2, Column (11) * Column (12) + {1 + Column (16)} * Column (2)
(2) From Exhibit II, Sheet 2, Column (1)
(3) = (2) / (1)
(4) From Exhibit II, Sheet 1, Column (11) * Column (12)
(5) From Exhibit II, Sheet 1, Column (1)
(6) = (5) / (4)

Accident Year	Units	Liability Earned Premium	Liability Current Rate Level Factors	Current Rate Level Earned Premium	Premium Trend Factors	Trended Current Rate Level Earned Premium
	(1)	(2)	(3)	(4)	(5)	(6)
2020	3,577	375,440	1.981	743,933	1.159	862,422
2021	3,868	421,052	1.827	769,113	1.126	865,643
2022	4,336	590,305	1.590	938,596	1.093	1,025,629
2023	4,675	525,160	1.418	744,713	1.061	790,066
Total	16,457	1,911,957		3,196,354		3,543,760

Accident Year	Liability Non-Cat Reported Loss & ALAE	Liability Non-Cat Loss Development Factors	Liability Loss Trend Factors	Liability Trended and Developed Non-Cat Loss & ALAE
	(7)	(8)	(9)	(10)
2020	92,941	1.413	1.351	177,339
2021	1,475,921	1.752	1.274	3,294,386
2022	932,607	2.540	1.202	2,847,556
2023	155,434	5.079	1.134	895,458
Total	2,656,903			7,214,740

Accident Year	Total Trended and Developed Non-Cat Loss & ALAE	ULAE Load	Non-Cat Loss & LAE Ratio	Selected Accident Year Weights	Weighted Non-Cat Loss & ALAE Ratio	Selected Catastrophe Loss & ALAE Ratio	Combined Loss & ALAE Ratio
	(11)	(12)	(13)	(14)	(15)	(16)	(17)
2020	177,339	1.080	22.2%	10%			
2021	3,294,386	1.080	411.0%	20%			
2022	2,847,556	1.080	299.9%	30%			
2023	895,458	1.080	122.4%	40%			
Total	7,214,740		203.6%	100%	223.3%	0.0%	223.3%

	Fixed Expense Load	Variable Expense Load	Rate Level Indication	Credibility	Annual Net Trend *(Complement of Credibility)*	Credibility Weighted Rate Level Indication
	(18)	(19)	(20)	(21)	(22)	(23)
Total	10.0%	25.0%	211.1%	64.1%	3.9%	136.8%

Notes:

(1), (2)	From Exhibit XI	(11)	= (10)
(3)	From Exhibit III	(13)	= (11) x (12) / (6)
(4)	= (2) x (3)	(15)	= Sumproduct of (13) and (14)
(5)	From Exhibit IV	(17)	= (15) + (16)
(6)	= (4) x (5)	(18), (19)	From Exhibit IX
(7)	From Exhibit X	(20)	= [(17) + (18)] / [1 - (19)] - 1
(8)	From Exhibit VI, Sheet 2.	(21)	= min(sqrt((1)Total / 40,000), 1)
(9)	From Exhibit V	(22)	= (1 + Future Loss Trend) / (1 + Premium Trend) - 1
(10)	= (7) x (8) x (9)	(23)	= (20) x (21) + (22) x (1 - (21))

Accident Year	Units	Property Earned Premium	Property Current Rate Level Factors	Current Rate Level Earned Premium	Premium Trend Factors	Trended Current Rate Level Earned Premium
	(1)	(2)	(3)	(4)	(5)	(6)
2020	3,577	1,059,306	3.094	3,277,094	1.000	3,277,094
2021	3,868	2,847,136	2.603	7,411,181	1.000	7,411,181
2022	4,336	3,176,488	2.185	6,940,631	1.000	6,940,631
2023	4,675	3,845,392	1.624	6,246,012	1.000	6,246,012
Total	16,457	10,928,323		23,874,919		23,874,919

Accident Year	Property Non-Cat Reported Loss & ALAE	Property Non-Cat Loss Development Factors	Property Loss Trend Factors	Property Trended and Developed Non-Cat Loss & ALAE
	(7)	(8)	(9)	(10)
2020	472,521	1.000	1.684	795,567
2021	1,042,631	1.010	1.503	1,583,033
2022	1,147,220	1.040	1.342	1,601,863
2023	2,781,684	1.248	1.198	4,161,495
Total	5,444,056			8,141,958

Accident Year	Total Trended and Developed Non-Cat Loss & ALAE	ULAE Load	Non-Cat Loss & LAE Ratio	Selected Accident Year Weights	Weighted Non-Cat Loss & ALAE Ratio	Selected Catastrophe Loss & ALAE Ratio	Combined Loss & ALAE Ratio
	(11)	(12)	(13)	(14)	(15)	(16)	(17)
2020	795,567	1.080	26.2%	10%			
2021	1,583,033	1.080	23.1%	20%			
2022	1,601,863	1.080	24.9%	30%			
2023	4,161,495	1.080	72.0%	40%			
Total	8,141,958		34.1%	100%	43.5%	8.0%	51.5%

	Fixed Expense Load	Variable Expense Load	Rate Level Indication	Credibility	Annual Net Trend *(Complement of Credibility)*	Credibility Weighted Rate Level Indication
	(18)	(19)	(20)	(21)	(22)	(23)
Total	25.0%	25.0%	2.0%	64.1%	7.0%	3.8%

Notes:

(1), (2)	From Exhibit XI	(11)	= (10)
(3)	From Industry data	(13)	= (11) x (12) / (6)
(4)	= (2) x (3)	(15)	= Sumproduct of (13) and (14)
(5)	From Exhibit IV	(17)	= (15) + (16)
(6)	= (4) x (5)	(18), (19)	From Exhibit IX
(7)	From Exhibit X	(20)	= [(17) + (18)] / [1 - (19)] - 1
(8)	From Exhibit VI, Sheet 1.	(21)	= min(sqrt((1)Total / 40,000), 1)
(9)	From Exhibit V	(22)	= (1 + Future Loss Trend) / (1 + Premium Trend) - 1
(10)	= (7) x (8) x (9)	(23)	= (20) x (21) + (22) x (1 - (21))

From SNL

Year	Property Average Rate Change	Property CRL Factor	Liability Average Rate Change	Liability CRL Factor
	(1)	(2)	(3)	(4)
2020	7.8%	1.342	14.8%	1.635
2021	4.3%	1.287	12.8%	1.449
2022	7.6%	1.197	12.4%	1.290
2023	7.5%	1.114	13.9%	1.132
2024	11.4%	1.000	13.2%	1.000

Based on Premium Files Provided

Year	Property Average Rate Change	Property CRL Factor	Liability Average Rate Change	Liability CRL Factor
	(5)	(6)	(7)	(8)
2020	7.1%	3.363	60.5%	2.328
2021	18.8%	2.829	22.9%	1.894
2022	19.1%	2.375	9.7%	1.727
2023	34.5%	1.766	13.3%	1.523
2024	76.6%	1.000	52.3%	1.000

Selected Current Rate Level Factors

Year	Selected Property CRL Factor	Selected Liability CRL Factor
	(9)	(10)
2020	3.094	1.981
2021	2.603	1.827
2022	2.185	1.590
2023	1.624	1.418

Notes:

(1)	Average Annual Rate Change from Industry Property Rate Filings in Washington
(2)	Current Rate Level (CRL) Factor for each year from (1), indexed to 2024
(3)	Average Annual Rate Change from Industry Liability Rate Filings in Washington
(4)	Current Rate Level (CRL) Factor for each year from (3), indexed to 2024
(5)	Average Property Annual Rate Change for Washington Housing Provider from data submitted by insurers.
(6)	Current Rate Level (CRL) Factor for each year from (5), indexed to 2024
(7)	Average Liability Annual Rate Change for Washington Housing Provider from data submitted by insurers.
(8)	Current Rate Level (CRL) Factor for each year from (7), indexed to 2024
(9),(10)	Judgementally selected based on the Housing Provider data and industry rate changes.

Competitor	Filing Number	Type of Insurance	Historical Premium Trend	Projected Premium Trend
Farmers	FAIG-133900186	Homeowners	4.0%	8.2%
Liberty Mutual	LBPM-133977065	Homeowners	7.5%	3.0%
Stillwater	FDLY-133953815	Dwelling	5.7%	5.7%
Hanover	HNVR-G113357615(	CMP	2.1%	2.1%
Nationwide	NWPP-133186134	Agribusiness	2.1%	2.1%
Allstate	ALSE-133478447	Commercial Property	0.0%	0.0%
Mutual of Enumclaw	ENUX-133760425	Commercial Property	3.0%	3.0%
WR Berkley	BNIC-133722426	Commercial Property	-0.8%	0.6%
Allstate	ALSE-133929772	Personal Umbrella	0.0%	0.0%
Hiscox	HISC-134077417	General Liability	8.5%	8.5%
Mutual of Enumclaw	ENUX-133993772	Commercial General Liability	0.0%	0.0%
Total Average			2.9%	3.0%
Property Average			3.0%	3.1%
Liability Average			2.8%	2.8%
Property Selected (a)			0.0%	0.0%
Liability Selected			3.0%	3.0%

Trend to Date 7/1/2025

Accident Year	Liability Premium Trend	Property Premium Trend
	(1)	(2)
2020	1.159	1.000
2021	1.126	1.000
2022	1.093	1.000
2023	1.061	1.000

Notes:

(a) Property Premium Trend selected based on consideration of the property current rate level factors, which were selected based on significant rate changes for this segment.

Competitor	Filing Number	Type of Insurance	Historical Loss Trend	Projected Loss Trend
Farmers	FAIG-133900186	Homeowners	16.8%	19.5%
Liberty Mutual	LBPM-133977065	Homeowners	15.0%	20.0%
Stillwater	FDLY-133953815	Dwelling	8.0%	8.0%
Hanover	HNVR-G1133576156	CMP	4.4%	4.9%
Nationwide	NWPP-133186134	Agribusiness	2.5%	2.5%
Allstate	ALSE-133478447	Commercial Property	8.0%	9.0%
Mutual of Enumclaw	ENUX-133760425	Commercial Property	1.7%	3.0%
WR Berkley	BNIC-133722426	Commercial Property	6.7%	5.3%
Allstate	ALSE-133929772	Personal Umbrella	8.0%	8.0%
Hiscox	HISC-134077417	General Liability	7.8%	7.8%
Mutual of Enumclaw	ENUX-133993772	Commercial General Liability	7.4%	7.4%
Total Average			7.8%	8.7%
Property Average			7.9%	9.0%
Liability Average			7.7%	7.7%
Property Selected			12.0%	7.0%
Liability Selected			6.0%	7.0%

Trend to Date 7/1/2025

Accident Year	Liability Loss Trend	Property Loss Trend
2020	1.351	1.684
2021	1.274	1.503
2022	1.202	1.342
2023	1.134	1.198

Washington Housing Providers
Rate Indications
All Perils

Exhibit VI
Sheet 1

Reported LDFs
SNL 12/31/23 Industry Analysis - Based on comprehensive insurance industry Annual Statement Schedule P data.

Homeowner, Farmowner

Weighted Averages										
Latest 3	1.226	1.020	0.991	0.992	0.985	0.992	0.991	0.993	0.992	
Latest 6	1.204	1.019	0.995	0.995	0.991	0.995	0.999	0.998	0.996	
All	1.163	1.017	0.999	0.997	0.994	0.997	0.999	0.998	0.996	
Selected	1.204	1.019	0.995	0.995	0.991	0.995	0.999	0.998	0.996	
Cumulative	1.189	0.987	0.969	0.974	0.979	0.988	0.993	0.994	0.996	1.000
% Reported	84.1%	101.3%	103.2%	102.7%	102.2%	101.2%	100.7%	100.6%	100.4%	100.0%

Special Property

Weighted Averages		
Latest 3	1.211	
Latest 6	1.198	
All	1.191	
Selected	1.198	
Cumulative	1.258	1.050
% Reported	79.5%	95.2%

Selected Property LDFs

	12	24	36	48
Selected	1.200	1.030	1.010	1.000
Cumulative	1.248	1.040	1.010	1.000

Washington Housing Providers
Rate Indications
All Perils

Exhibit VI
Sheet 2

Reported LDFs
SNL 12/31/23 Industry Analysis - Based on comprehensive insurance industry Annual Statement Schedule P data.

Other Liability, Claims Made

<u>Weighted Averages</u>										
Latest 3	2.159	1.449	1.255	1.144	1.081	1.057	1.040	1.016	1.017	
Latest 6	2.196	1.450	1.233	1.126	1.070	1.047	1.033	1.014	1.011	
All	2.261	1.451	1.220	1.124	1.070	1.046	1.032	1.015	1.011	
Selected	2.196	1.450	1.233	1.126	1.070	1.047	1.033	1.014	1.011	
Cumulative	5.420	2.469	1.702	1.381	1.227	1.147	1.095	1.060	1.045	1.034
% Reported	18.4%	40.5%	58.7%	72.4%	81.5%	87.2%	91.3%	94.4%	95.7%	96.7%

Other Liability, Occurrence

<u>Weighted Averages</u>										
Latest 3	1.867	1.407	1.256	1.160	1.101	1.068	1.035	1.024	1.020	
Latest 6	1.837	1.395	1.246	1.144	1.085	1.056	1.031	1.018	1.016	
All	1.823	1.399	1.240	1.138	1.082	1.054	1.035	1.021	1.016	
Selected	1.837	1.395	1.246	1.144	1.085	1.056	1.031	1.018	1.016	
Cumulative	4.646	2.529	1.813	1.454	1.271	1.171	1.109	1.076	1.056	1.040
% Reported	21.5%	39.5%	55.2%	68.8%	78.7%	85.4%	90.1%	92.9%	94.7%	96.2%

Selected Liabiltiy LDFs

	12	24	36	48	Tail
Selected	2.000	1.450	1.240	1.130	
Cumulative	5.079	2.540	1.752	1.413	1.250

Competitor	Filing Number	Type of Insurance	Selected Cat Load	Application
Farmers	FAIG-133900186	Homeowners	1.093	Factor
Liberty Mutual	LBPM-133977065	Homeowners	10.0%	Additive
Stillwater	FDLY-133953815	Dwelling	2.2%	Additive
Hanover	HNVR-G113357615€	CMP	6.5%	Additive
Nationwide	NWPP-133186134	Agribusiness	3.66	Factor
Allstate	ALSE-133478447	Commercial Property	1.13	Factor
Mutual of Enumclaw	ENUX-133760425	Commercial Property	1.17	Factor
WR Berkley	BNIC-133722426	Commercial Property	1.10	Factor
Selected - Property Only			8.0%	Additive

Competitor	Filing Number	Type of Insurance	Selected ULAE Load
Farmers	FAIG-133900186	Homeowners	1.078
Liberty Mutual	LBPM-133977065	Homeowners	N/A
Stillwater	FDLY-133953815	Dwelling	1.105
Hanover	HNVR-G1133576156	CMP	1.053
Nationwide	NWPP-133186134	Agribusiness	1.056
Allstate	ALSE-133478447	Commercial Property	1.080
Mutual of Enumclaw	ENUX-133760425	Commercial Property	1.030
WR Berkley	BNIC-133722426	Commercial Property	1.101
Allstate	ALSE-133929772	Personal Umbrella	1.109
Hiscox	HISC-134077417	General Liability	1.070
Mutual of Enumclaw	ENUX-133993772	Commercial General Liability	1.055
Total Average			1.074
Property Average			1.072
Liability Average			1.078
Property Selected			1.080
Liability Selected			1.080

Competitor	Filing Number	Type of Insurance	Fixed Expense	Variable Expense
Farmers	FAIG-133900186	Homeowners	6.4%	19.5%
Liberty Mutual	LBPM-133977065	Homeowners	13.4%	20.0%
Stillwater	FDLY-133953815	Dwelling	0.0%	39.5%
Hanover	HNVR-G113357615€	CMP	6.9%	25.8%
Nationwide	NWPP-133186134	Agribusiness	16.8%	15.2%
Allstate	ALSE-133478447	Commercial Property	17.3%	22.8%
Mutual of Enumclaw	ENUX-133760425	Commercial Property	0.0%	40.9%
WR Berkley	BNIC-133722426	Commercial Property	0.0%	45.4%
Allstate	ALSE-133929772	Personal Umbrella	9.7%	22.1%
Hiscox	HISC-134077417	General Liability	0.0%	42.9%
Mutual of Enumclaw	ENUX-133993772	Commercial General Liability	0.0%	44.4%

	Fixed Expense	Variable Expense
Total Average	6.4%	30.8%
Property Average	7.6%	28.6%
Liability Average	3.2%	36.5%
Net Cost of Reinsurance (Property)	15.0%	0.0%
Net Cost of Reinsurance (Liability)	0.0%	0.0%
Property Selected	25.0%	25.0%
Liability Selected	10.0%	25.0%

Note:
Net Cost of Reinsurance was judgmentally selected by based on review of the loss data & industry expertise.

Non-Cat Perils - Reported Loss and Allocated Loss Adjustment Expense			
	(1)	(2)	(3)
Accident Year Ending	Non-Cat Reported Total	Non-Cat Reported Property	Non-Cat Reported Liability
2020	565,462	472,521	92,941
2021	2,518,552	1,042,631	1,475,921
2022	2,079,828	1,147,220	932,607
2023	2,937,118	2,781,684	155,434
Total	8,100,959	5,444,056	2,656,903

Earned Premium

Accident Quarter Ending	(1) Earned Premium Total	(2) Earned Premium Property	(3) Earned Premium Liability
2020	1,434,746	1,059,306	375,440
2021	3,268,188	2,847,136	421,052
2022	3,766,793	3,176,488	590,305
2023	4,370,553	3,845,392	525,160
Total	12,840,280	10,928,323	1,911,957

Units

Accident Quarter Ending	Units
2020	3,577
2021	3,868
2022	4,336
2023	4,675
Total	16,457

Appendix B – Income Level Definitions

The US Department of Housing and Urban Development ("HUD") creates annual definitions of income levels, which impact eligibility for affordable housing. These include definitions for "low income," "very low income," and "extremely low income" households annually. HUD first determines the area median income ("AMI") for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. "Low income" is defined as households not exceeding 80% of AMI, "very low income" is defined as households not exceeding 50% of AMI, and "extremely low income" is defined as households not exceeding 30% of AMI, respectively. These are consistent with the definitions contained within RCW 36.70A.030(17). Adjustments are made to figures based on the size of household.[35]

The focus of this study, as determined by the Legislature and the Washington State Office of the Insurance Commissioner ("OIC"), *is to study the availability and affordability of property and liability insurance for providers of housing to extremely-low-income households receiving trust funds from Commerce.*

[35] "Methodology for Determining Section 8 Housing Limits" (2019), https://www.huduser.gov/portal/datasets/il/il19/IncomeLimitsMethodology-FY19.pdf

Appendix C - Trust Fund Descriptions

There are two distinct Washington State housing trust funds ("Trust Funds"), managed by Commerce that provide operational funding to Housing Providers for extremely-low-income housing units. The two grant programs are very similar in concept but have slightly different eligibility requirements, as described below.

1. **Permanent Supportive Housing ("PSH") Operating, Maintenance and Supportive Services ("OMS") Grants**, which fund the gap between revenue and operating expenses for certain Housing Providers. The grant can only be applied to units that are:

    a. Within housing projects that have received or will receive funding from the Housing Trust Fund or other public capital funding programs;

    b. PSH units according to Washington RCW 36.70A.030(31), which defines PSH as follows:

    "Permanent supportive housing" is subsidized, leased housing with no limit on length of stay that supports people who need comprehensive support services to retain tenancy and utilizes admission practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care, treatment, or employment services.[36]

    c. Occupied by extremely low-income households with income at or below 30% of AMI; and

    d. Require a supplement to rent income to cover ongoing eligible property operations, maintenance and supportive services expenses.[37]

    Housing Providers apply for funding on a biennial basis, and adjustments may be made annually.

2. **Housing Trust Fund ("HTF") Operating & Maintenance ("O&M") Grants**, which fund the gap between revenue and operating expenses for certain Housing Providers. The grant can only be applied to units that are:

[36] https://app.leg.wa.gov/rcw/default.aspx?cite=36.70a.030

[37] Washington State Department of Commerce, Guidelines for the Permanent Supportive Housing (PSH) Operating, Maintenance, and Supportive Services (OMS) Grant, Effective July 1, 2024 – June 30, 2025

a. Within housing projects that are in Housing Trust Fund-approved projects;

b. Serve residents at or below 30% of AMI; and

c. Require a supplement to rental income to cover ongoing property and maintenance expenses.[38]

Funding for both grants is received from a portion of the Washington State document-recording surcharge from each county's local auditor's office, per Washington RCW 36.22.250. Additional funding may be provided directly from the General Fund of the Washington legislature.[37,38] Funding may not be sufficient to supply gap funding to all applicants, and funding may also not completely cover their operational expenses. In fact, the Authors understand that the HTF O&M grant has not accepted new applications for some time; it instead may grant funds to eligible recipients already enrolled in the program.

The recipients of the two grants are mutually exclusive; a housing provider cannot receive funds for both grants in the same year.[37,38]

Based on the Authors' conversations with Commerce, the Authors understand that operational expenses for both grants may include insurance expense, although this expense may not be listed as a separate line-item in the "gap" support provided in applications.

[38] Washington State Department of Commerce, Guidelines for the Housing Trust Fund (HTF) Operating & Maintenance (O&M) Grant, Effective July 1 2024 – June 30, 2025

Appendix D - Housing Provider Survey

Housing Provider Survey

Question	Possible Response
Respondent profile	
1. Respondent's first name	free-form input
2. Respondent's last name	free-form input
3. Respondent's title	free-form input
4. Respondent's organization name	free-form input
5. Respondent's email address	free-form input
6. Respondent's phone number	+1 (###) ###-####
7. Organization type	public housing authority, non-profit, other
8. If organization type is "Other", please specify:	free-form input
9. Does Alvarez & Marsal/Davies have your permission to reach out to you for further information, if needed?	Yes / No
Insurance Claims	
10. Is there a threshold claim value below which you choose not to report losses to your insurance carrier?	Yes / No
a. If yes, what is that threshold?	Free-form input
Risk Mitigation	
11. What risk mitigation measures do you have in place, if any? (e.g. fire stops, standpipe locks, water detection, staff on-site, etc.)	Free-form input
12. What risk mitigation measures do you think are most likely to reduce insured losses, and why?	Free-form input
Other	
13. Have there been changes in the demands on your organization in recent years that make property or liability claims more likely at housing sites? If so, please explain.	Free-form input
14. Do you have any suggestions for legislative or regulatory changes that could increase the availability or reduce the cost of insurance?	Free-form input
15. What else would you like to share regarding your property and liability insurance?	Free-form input
Insurance Snapshot (please provide data for years where it is readily available, and leave blanks for years where the data is not readily available)	
16. Property Insurance	
a. Total Annual Premium	Dollar amount in 2024, 2023, 2022, 2021, and 2020
b. Total Insured Value (TIV) of Property	Dollar amount in 2024, 2023, 2022, 2021, and 2020
c. Deductible	Dollar amount in 2024, 2023, 2022, 2021, and 2020
17. Liability Insurance	
d. Total Annual Premium	Dollar amount in 2024, 2023, 2022, 2021, and 2020
e. Policy Limit	Dollar amount in 2024, 2023, 2022, 2021, and 2020
f. Deductible	Dollar amount in 2024, 2023, 2022, 2021, and 2020
18. What insurance agency do you use?	Free-form input
19. How else have your insurance policies changed in the past 5 years:	
g. Property insurance?	Free-form input
h. Liability insurance?	Free-form input
i. Cyber insurance?	Free-form input
j. Other insurance (please specify)?	Free-form input

Appendix E – Data Call Information Request

OFFICE of the INSURANCE COMMISSIONER WASHINGTON STATE

Washington state data call relating to housing providers serving extremely low-income households. SHB 2329 (2024)

At the direction of the Washington state Legislature, Insurance Commissioner Mike Kreidler must collect certain data regarding the affordability and availability of insurance for certain housing providers in support of a study on market conditions. Specifically, the study applies to providers receiving state housing trust fund resources related to the housing needs for extremely low-income households. Please refer to the excel worksheet listing the housing projects, and their address, that must be reviewed.

Scope: This data call applies to each policy covering any of the identified housing projects serving extremely low-income housing providers in Washington State with any effective dates between 1/1/2019 – 12/31/2023.

Confidentiality statement: Pursuant to Chapter 74, Laws of 2024 (SHB 2329) and RCW 48.02.065(8), all data submitted as a part of this data call are confidential by law and privileged and not subject to public disclosure under chapter RCW 42.56. The Commissioner may prepare and publish reports, analysis, or other documents using the data received from individual property and casualty companies so long as the data in the report is in the aggregate form and does not permit the identification of information related to individual companies.

Submission

Due: WORKSHEET AND ADDITIONAL DATA ARE DUE BY COB AUGUST 27th, 2024.

- If you identify your company has provided any property or liability coverage during that time frame for that address, please complete the worksheet and return to datacall@oic.wa.gov.
- If after your review your company has NOT provided any coverage to the properties listed, complete the contact information, leave the other tabs blank and return to datacall@oic.wa.gov.
- When you email your worksheet, please change “NAME” in the .xlsx file “NAME_WA_Housing_Provider_Insurance_worksheet” to your company name or group.

Contact: datacall@oic.wa.gov

Worksheet instructions

Tab 1 Contact information

- Please complete the contact information.

Tab 2 Policy and Premium

Our intent is to capture policy and premium information for Property, General Liability, Excess, and Umbrella coverages. Please do not need to include policy/premium information for Auto Liability, Cyber, Directors & Officers, etc.

Based on above, there may be multiple rows per policy number and effective date. There may be several rows for several different coverages if they have the same policy number. Similarly, the property coverage for that policy number and effective date may itself contain several rows for different locations. Please complete all relevant fields for each row. For instance, every row should be populated with policy number, effective date, coverage, etc.

In certain fields, such as “coverage,” drop-down options are available. We prefer if you select one of the available options. However, you may instead elect to populate the field using your own terminology. If you choose this option, please provide a mapping of your terminology to the options in the drop-down.

Tab 3 Loss and Claims

There may be more than one row (loss) per policy number.

All numeric fields should be valued as of 5/31/2024 (or if an alternate recent valuation date is used, please inform us of the date). For a sample template, please see “loss” tab of attached spreadsheet.

For “Coverage” and “Cause of loss” fields, drop-down options are available. We prefer if you select one of the available options. However, you may instead elect to populate the field using your own terminology. If you choose this option, please provide a mapping of your terminology to the options in the drop-down.

For this tab, “Expense” refers to Defense & Cost Containment Expenses, as defined in the Annual Statement Instructions.

Additional Information Requested

Non-Worksheet items

Please provide the following non-worksheet items for each relevant policy referenced in Tab 2 Policy and Premium. Please include renewal pricing files even if the insured did not renew the policy, and/or considerations for non-renewal on these policies:

a. Policy number

b. Effective Date

c. Underwriting files including but not limited to insurance application, underwriting notes or approvals, loss experience worksheets, pricing worksheets, schedule credit and debit worksheets, etc

d. All system-captured rating factors used to rate the policy, including physical characteristics of the property (age, roof type, distance to fire hydrants, etc), credits or debits (including schedule credits and debits and other), deductible credits, increased limits factors, risk mitigation credits, etc.

e. Notes on any non-renewals

f. Relevant rate filings