



WHITE PAPER

The U.S. Property Insurance Crisis and Its Cascading Impact on Affordable Multifamily Housing

LIHTC Production, NOAH Preservation, and the Path Forward

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ABSTRACT

The U.S. property insurance market is failing affordable housing. Without federal intervention, failure will deepen and spread. Private carriers have withdrawn from risk-exposed states at a pace that has left Low Income Housing Tax Credit (LIHTC) and Naturally Occurring Affordable Housing (NOAH) with no viable admitted-market alternative, forcing both sectors into the unregulated excess and surplus (E&S) lines market — a segment with no state guaranty fund protection, no rate oversight, and dangerous carrier concentration. This paper argues that restoring a functional insurance market for affordable housing requires three interlocking federal actions: a federal reinsurance backstop to reopen admitted carrier participation; reform of HUD's Operating Cost Adjustment Factors to stop chronically underfunding operators; and mandatory disclosure of E&S placements to make an invisible systemic risk visible to regulators. Property-level resilience investment is necessary and should be funded — but it cannot substitute for structural market repair.

LIHTC property insurance premiums rose 143.7% between 2016 and 2023, six consecutive years of double-digit increases, while HUD-capped rents left operators unable to pass costs through. The E&S market, where affordable housing is increasingly concentrated, surpassed \$98 billion in premiums in 2024, nearly double its 2020 size, now commanding 25.7% of total commercial property/casualty premiums. As admitted carriers have excluded the aging, climate-exposed properties that define LIHTC and NOAH portfolios, affordable housing has consolidated into a segment where insolvency has no backstop, deductibles have risen 700% in three years, and policy forms narrowing to “named perils” create coverage that satisfies lender requirements on paper while leaving properties materially exposed.

These risks accumulate invisibly. A LIHTC property that moves to an E&S carrier at renewal still technically satisfies its compliance covenants, even as the underlying protection deteriorates.

The paper also identifies where the evidence is incomplete. No national data documents the share of LIHTC and NOAH units that are currently in E&S coverage. Causal attribution of resident displacement to insurance costs specifically, as opposed to concurrent pressures of interest rates, construction costs, and tax credit pricing, has not been established in peer-reviewed literature. The fiscal cost of a federal backstop has not been CBO-scored. These gaps do not undermine the core argument; they define the next research and legislative agenda.

I. Introduction: A Convergence of Crises

The United States has a 7.1 million-unit shortage of affordable homes for its lowest-income renters (NLIHC, 2025). Closing that gap depends on a functioning financial ecosystem — tax credits, mortgage financing, operating subsidies, and property insurance — that prices, allocates, and covers risk across a portfolio of properties serving households with limited ability to absorb cost increases. That ecosystem is now under structural stress from a source that housing policy has not yet seriously addressed: the collapse of the private property insurance market.

Property insurance was, until recently, a stable and secondary operating expense for affordable housing developers and operators. It has become a primary financial threat. In climate-risk exposed states — home to a disproportionate share of the nation's affordable housing stock — private admitted carriers have withdrawn en masse. What remains is a market dominated by state FAIR Plans of last resort and unregulated E&S carriers, neither of which provides the pricing stability, coverage depth, or insolvency protection that affordable housing finance requires. For NOAH, the unsubsidized, aging rental stock operated by individual landlords with no financial cushion, the market failure is often immediately terminal: absorb the premium increase, raise rents, defer maintenance, or sell.

This paper traces failure from its climate-driven roots through its specific mechanisms in the LIHTC and NOAH sectors, documents the hidden systemic risk accumulating in the E&S migration, and proposes a sequenced set of federal and state interventions each with a defined mechanism, supporting evidence, and honest acknowledgment of what is not yet known.

II. The Anatomy of the Property Insurance Crisis

A. The Scale of Climate-Driven Losses

The primary engine of the insurance crisis is the explosive growth in losses caused by extreme weather events. According to the National Oceanic and Atmospheric Administration's (NOAA) National Centers for Environmental Information (NCEI):

- In 2024, the U.S. experienced 27 weather and climate disasters each exceeding \$1 billion in damages, the second-highest annual count in the 45-year record, at a total cost of approximately \$182.7 billion.
- The year 2023 was the record-setting year, with 28 such events and cumulative losses exceeding \$92.9 billion in direct insured losses.
- 2024 is the 14th consecutive year in which the U.S. recorded 10 or more billion-dollar disasters.
- The 5-year average (2020–2024) is 23.0 billion-dollar events per year—more than double the 1980–2023 annual average of 9.0 events.
- Over the past decade (2015–2024), 190 separate billion-dollar disasters have killed at least 6,300 people and cost approximately \$1.4 trillion.

Specific catastrophic events in the recent period include Hurricane Helene (2024, estimated \$78.7 billion total cost), Hurricane Milton (2024, estimated \$34.3 billion), and the January 2025 Los Angeles wildfires,

which the Bipartisan Policy Center (BPC) estimated could generate insured losses exceeding \$30 billion—potentially the costliest wildfire event in U.S. history, surpassing the 2018 Camp Fire (\$12.5 billion in insured losses).

Munich Re, the world's largest reinsurer, reported that global insured losses in the first half of 2024 alone were up year-over-year and significantly exceeded 10- and 30-year averages. Climate Central (the successor to NCEI in maintaining this dataset) and academic researchers at Nature have noted that convective storms—hail, tornadoes, severe thunderstorms—are increasingly a major contributor, accounting for the majority of insured losses in many years alongside tropical cyclones.

B. Market Withdrawal and Structural Dysfunction

The response of private insurers to mounting climate losses has been systematic market withdrawal, particularly in the highest-risk states. The Center for American Progress, relying on Senate Budget Committee investigation data, documented that policy nonrenewal rates are increasing across multiple states—including areas not traditionally considered high-risk. Key state-level dynamics include:

Florida

Florida homeowners pay the highest insurance rates in the nation—approximately four times the national average. Between 2019 and 2024, homeowner insurance rates in Florida rose 42.5% according to an analysis by Florida TaxWatch. At least 15 property insurers became insolvent in Florida between 2020 and 2023. Citizens Property Insurance Corporation, the state-backed insurer of last resort, ballooned from approximately 370,000 policies in 2017 to a record 1.4 million policies in 2023—a 277% increase—with \$423 billion in total insured value (TIV). Florida enacted sweeping tort reform measures in 2022 and 2023, which have partially stabilized the market; private insurers have begun returning, and Citizens enrollment has since declined. However, the Yale Law Journal cautions that price increases and deregulation alone cannot counteract the long-term intensification of hurricane risk driven by climate change.

California

California's crisis is rooted in its wildfire risk combined with the constraints of Proposition 103, which historically restricted rate increases. According to the California Public Policy Institute, seven out of 12 major carriers left or reduced coverage since 2022. State Farm, Allstate, and AIG all discontinued writing new homeowner policies. The California FAIR Plan—the insurer of last resort—saw its total exposure reach \$529 billion as of December 2024, a 15.5% increase from September 2024 alone and a 217% increase from just a few years prior. In response, California Insurance Commissioner Ricardo Lara approved reforms in 2024 allowing insurers to incorporate reinsurance costs in rates and use forward-looking catastrophe models, in exchange for promises to write more policies in high-risk areas.

Louisiana

Louisiana Citizens Property Insurance Corporation grew 414% between 2017 and 2022, reaching \$41 billion in TIV. At least 20 insurers became insolvent or exited the state in that period. Louisiana was forced to raise FAIR Plan rates by over 60% in the wake of Hurricanes Laura and Ida. The state remains one of the costliest markets for LIHTC operators: Novogradac data shows Louisiana with the highest per-unit insurance expense among the 50 states, at \$1,312 per unit annually as of 2022.

Texas

Texas has experienced multiple concurrent perils: hailstorms affecting Austin and Dallas, a catastrophic deep freeze in 2021, and Hurricane Beryl in 2024. Fannie Mae's May 2024 Multifamily Economic and

Market Commentary reported that Yardi Matrix estimated a 41% increase in insurance premiums for Houston properties to nearly \$1,260 per unit annually as of January 2024, with RealPage estimating an even higher \$1,540 annualized figure.

The state-level narratives above — hurricanes, wildfires, and named catastrophes — capture the most visible dimension of the insurance crisis but risk obscuring what is, by volume, an equally significant driver: the relentless accumulation of losses from convective storms, hail, tornadoes, and severe thunderstorms occurring across the entire country. Of the 403 billion-dollar weather disasters tracked by NOAA from 1980 through 2024, 203 — fully half — were classified as severe storm events, making them the single largest category by event count, spread across every region and not limited to coastal or high-fire states (NOAA NCEI, 2025). In the first half of 2024 alone, Munich Re reported that 'non-peak perils' — severe thunderstorms, flooding, and wildfires — accounted for 68% of total global losses and 76% of insured losses, with U.S.-based severe thunderstorm losses reaching \$45 billion, of which more than \$34 billion was insured. Enterprise Community Partners' 2026 analysis of the insurance market notes that while hurricanes produce dramatic individual events, 'convective severe storms the industry has faced in recent years' represent the persistent, high-frequency pressure that is most directly driving insurer underwriting losses and reinsurance market tightening. Critically, reinsurers have responded by imposing narrower terms specifically for these 'secondary perils' — adding sub-limits and exclusions for convective storm and urban flood events — meaning that multifamily affordable housing properties in the Midwest, Plains, and interior South that may not face hurricane or wildfire risk are nonetheless experiencing coverage restrictions and premium increases driven by loss patterns in their own geographies. This is not a coastal problem or a California problem: it is a national market repricing driven by the frequency and aggregate cost of wind, hail, and severe storm events that affect every state.

C. The Reinsurance Cascade

Reinsurance—the insurance that insurance companies purchase to protect themselves against catastrophic losses—is a critical but underappreciated driver of the retail insurance crisis. As global reinsurers (Munich Re, Swiss Re, Hannover Re) have raised rates and restricted capacity in response to growing catastrophe losses, primary insurers have faced sharply higher costs to operate. The Union of Concerned Scientists and the Yale Law Journal both document that even states granting insurers the ability to pass reinsurance costs to consumers have not prevented market exits—because the underlying risk trajectory is accelerating faster than any regulatory accommodation can keep pace with.

The Bipartisan Policy Center's February 2025 report, *Rising Property Insurance Costs: Opportunities for Federal Action*, identifies the reinsurance market as the single most consequential structural gap requiring federal intervention. The full policy implications are addressed in Section VII.

D. Compounding Factors: Inflation, Construction Costs, Litigation, and Insurer Financials

The insurance crisis is not solely a climate story. Several non-climate factors compound the pressure on affordable housing operators, and the underlying financial condition of the insurance industry explains why the market has not self-corrected:

- **Replacement cost inflation:** Construction costs increased 30–50% from 2020 to 2024. Because premiums are tied to total insured value — the cost to rebuild — operators face higher premiums even without additional losses. Enterprise Community Partners documents that even when affordable housing owners maintain steady coverage levels, lenders and investors often require

them to increase total insured value to reflect replacement cost inflation, directly driving premiums higher regardless of the owner's risk profile (Enterprise, 2026).

- **Risk model repricing:** In 2023, Moody's RMS updated its North Atlantic Hurricane Model — the most significant revision in over a decade. Expected loss calculations rose 10–20% nationally; in the Gulf Coast, Texas, Florida, and southeastern U.S., the increase was 30%. This repricing of expected losses directly flows through to premium rates in the regions where affordable housing is most concentrated (Enterprise, 2026).
- **Insurer underwriting losses:** The commercial property and casualty sector posted a combined ratio of 110% in 2023, meaning insurers paid out \$1.10 for every \$1.00 collected in premiums. Property insurance carriers specifically posted a combined ratio of 101.7%. Unlike mortgage holders who underwrite long-term risk, property and casualty insurers reprice annually — making them structurally reactive to short-term loss trends and quick to exit or restrict markets when combined ratios exceed 100% (Enterprise, 2026).
- **Nuclear verdicts and litigation:** The NMHC 2024 State of Multifamily Risk Survey identifies rising litigation costs — including nuclear verdicts — as a significant driver of liability insurance increases. Sedgwick's 2024 report found nuclear verdicts (exceeding \$10M) rose 52% in 2024; thermonuclear verdicts (exceeding \$100M) rose 81.5%.
- **Population growth in high-risk areas:** Sun Belt migration and coastal development have placed more properties in harm's way. CCI's Shared Fates research documents that nearly 40% of U.S. households live in areas at high risk of property damage from at least one hazard — often multiple overlapping hazards — with disproportionate exposure among American Indian and Alaska Native communities (CCI, 2024).

Each of these forces is market-wide. Their combined effect falls hardest on affordable housing, because the one mechanism through which other property owners absorb higher insurance costs — raising rents — is structurally unavailable to LIHTC operators and economically catastrophic for NOAH tenants. Sections III and IV document the result.

III. Impact on LIHTC Multifamily Housing

A. The Revenue Cap Problem and Why It Makes LIHTC Uniquely Vulnerable

LIHTC — the federal government's largest affordable housing production tool, having financed the construction or rehabilitation of nearly 3.6 million units since 1986 — operates under a structural constraint that makes insurance cost increases especially damaging: maximum rents are set annually by HUD based on area median income, regardless of operating cost inflation. Revenue is administratively capped; costs are market-driven. The 93% of housing providers in a 2023 National Leased Housing Association survey who reported taking action to address insurance increases did so not by raising rents but by increasing deductibles, cutting staff, reducing maintenance, and drawing down reserves — all responses that degrade the housing stock. The NMHC and housing coalition partners identified a second dimension of this constraint in their June 2024 letter to federal agencies: HUD calculates Operating Cost Adjustment Factors for Section 8 contracts using consumer insurance indices rather than commercial multifamily data. Because commercial rates have risen far faster, OCAFs systematically undercount actual insurance inflation, creating a structural funding gap that accumulates year over year across the entire subsidized portfolio.

Enterprise Community Partners' February 2026 report *Curbing the Insurance Spiral* provides direct evidence of the sector-wide impact: 29% of affordable housing providers experienced insurance premium

increases of 25% or higher in 2023, with many reporting increases of 30–100% or more. Enterprise's own investment portfolio data shows California providers reported a 56% increase in costs from 2020 to 2022, followed by increases ranging from 50% to 500% in 2024. Enterprise characterizes runaway insurance premiums as 'arguably the single greatest threat to the sector today' — a threat that has already caused the collapse of long-standing nonprofit providers and caused many others to cease production or sell properties. A particularly revealing stress indicator: many owner-operators have begun disaggregating their portfolios — separating lower-risk from higher-risk properties — to avoid cross-subsidy within a portfolio. This portfolio fracture is a market signal that the integrated risk-pooling model that has historically stabilized affordable housing operations is breaking down.

B. Quantifying the Insurance Premium Surge

Novogradac's 2024 Low-Income Housing Tax Credit Income and Operating Expenses Report — drawing on approximately 175,000 LIHTC units nationally — is the most comprehensive longitudinal dataset on this sector's insurance costs:

+143.7%

Increase in LIHTC median per-unit insurance cost, 2016–2023

Novogradac 2024 LIHTC Income and Operating Expenses Report

Specific findings include:

- The 2023 median per-unit insurance rate reached \$697 per unit per year—a record—representing the sixth consecutive year of double-digit percentage increases.
- The 2023 increase was 22.2% year-over-year—the largest single-year jump in the eight-year dataset.
- Property insurance now represents 10.1% of total operating expenses per unit, up from 6.4% in 2016—a 58% increase in its relative share of expenses.
- By comparison, total expenses increased only 55.4% over the same eight-year period, confirming that insurance is the single fastest-growing cost category.

The Federal Reserve Bank of Minneapolis conducted a 2024 survey of 35 multifamily housing owners operating nearly 45,000 units in the Ninth Federal Reserve District. This survey covers a single Fed district and a modest sample; directional trends are corroborated by Novogradac's national dataset but the magnitude of increases may not be nationally representative:

- Average annual premium increases: 14% (2021–22), 22% (2022–23), and 45% (2023–24).
- On average, property insurance premiums in 2024 were double those of 2021—more than six times the increase in the Consumer Price Index over the same period.
- Average deductible increases totaled 700% from 2021 to 2024.

- One respondent noted: 'We estimate that over 50 percent of our overall operating expense inflation since 2020 can be explained by property insurance premium increases.'

C. Geographic Variation in LIHTC Insurance Costs

The Novogradac and Fannie Mae datasets reveal significant regional variation, with the Southeast and Gulf Coast bearing the heaviest burden:

Region / State	2023 Median \$/Unit/Year	Notable Trend
Northeast (national)	\$1,000 / unit	Highest region; driven by replacement costs
South (national)	\$862 / unit	Climate-exposed; Gulf and Atlantic coast risk
Midwest (national)	\$615 / unit	+25.7% in 2022; tornado/hail risk
West (national)	\$522 / unit	Lower despite wildfire; hurricane rarity
Louisiana	\$1,312 / unit	Highest state; +15.6% in 2022
Florida	\$1,069 / unit	+33.7% annual increase in 2022
Texas (Houston)	~\$1,260–\$1,540 / unit	+41% in 12 months (2023–24)
California	\$476 / unit	Prop. 103 rate suppression (unsustainable)

Sources: Novogradac 2024 LIHTC Income and Operating Expenses Report; Fannie Mae Multifamily Economic and Market Commentary, May 2024; Yardi Matrix; RealPage.

D. Impact on LIHTC Development Feasibility

Insurance cost increases are not only an operational problem for existing properties — they are shutting down new production. CohnReznick's 2024 LIHTC performance study found a record 16.9% of properties on performance watch lists, with one in four stabilized projects failing to break even. NCSHA documented in 2022 that nearly all deals awarded LIHTCs from 2019 forward faced unexpected cost increases — one state agency reported 39 of 42 projects awarded 9% credits in 2020 requested additional gap funding. Fannie Mae's July 2024 Commentary confirms that the combination of rate increases, insurance costs, and capped revenue has forced capital stacks to layer HOME, Housing Trust Fund, ARPA, and CDBG funds in combinations that were previously exceptional and are now routine — a signal that the program's financial model is being strained beyond its designed capacity.

IV. Impact on Naturally Occurring Affordable Housing (NOAH)

A. NOAH's Structural Vulnerability

Naturally Occurring Affordable Housing — market-rate rental housing affordable to low- and moderate-income households without subsidies, by virtue of age, condition, or market position — represents the largest single component of the affordable housing supply in the United States. Unlike LIHTC properties, NOAH units carry no affordability covenants, receive no tax credits, and have no regulatory floor preventing rent increases or displacement. Individual landlords own 76% of all NOAH properties in Los Angeles County (McKinsey, 2021); NOAH's owner profile is the inverse of the institutional LIHTC sector. Where LIHTC operators have investor relationships, state agency access, and compliance infrastructure, NOAH owners typically have none of these. They are the most exposed to an insurance shock and the least equipped to absorb it.

California data — the most detailed available — shows what this exposure looks like in practice. CHPC estimated in 2023 that NOAH properties comprise 37% of California's multifamily stock; over 324,000 were at risk of losing affordability by mid-2024, and more than 120,000 have already been lost. California and Los Angeles are atypical markets — high land values, extreme wildfire exposure, and rate-suppression dynamics under Proposition 103 — and should not be treated as nationally representative. Comparable longitudinal NOAH insurance cost data at national scale does not exist. That absence is itself a policy failure that federal data collection should address.

B. The Insurance Squeeze and Its Terminal Logic

The Minneapolis Fed's 2024 survey found that Class B and C properties — NOAH's asset class — experienced the same premium and deductible trajectory documented for LIHTC operators: average annual premium increases of 14%, 22%, and 45% in consecutive renewal cycles from 2021 to 2024. Unlike their LIHTC counterparts, NOAH owners have no compliance infrastructure to identify these costs as systemic and no access to the federal programs that provide gap financing. The result is a compulsory and sequential set of choices: absorb the premium increase and compress already-thin margins; raise rents and undermine the affordability that defines the asset class; defer maintenance and accelerate physical deterioration; or sell to a market-rate developer. Each option removes the affordable unit — immediately, gradually, or permanently.

C. The Equity Dimension of NOAH Loss

CHPC data shows that 66.5% of already-lost NOAH units were located in High or Highest Resource areas — the neighborhoods where low-income families gain the most from proximity to employment, transit, and schools. The displacement is not random: it is concentrated in exactly the places where affordable housing has the greatest positive impact on residents' economic mobility. The Minneapolis Fed study confirms the mechanism: insurance increases put greater pressure on affordable housing than on higher-end buildings, because higher-end operators can pass costs through to tenants who have alternatives. Affordable housing operators cannot. Each lost NOAH unit in a high-resource neighborhood represents not just a housing unit removed from the supply, but an economic opportunity eliminated from a low-income household's future.

V. Structural Vulnerabilities and Systemic Risk

A. The FAIR Plan Stress Test

State FAIR Plans — created as insurers of last resort — have absorbed the policies abandoned by withdrawing private carriers. Their growth is a measure of how far private market failure has advanced:

- Florida Citizens: grew 277% from 2017 to 2022, reaching 1.4 million policies and \$423 billion in TIV in 2023.
- California FAIR Plan: \$529 billion in exposure by December 2024 — a 217% increase in a few years, growing 20% in a single partial fiscal year ending March 2024.
- Louisiana Citizens: 414% growth from 2017 to 2022, reaching \$41 billion in TIV.
- Washington FAIR Plan: 226% growth.

FAIR Plans hold fewer reserves than private carriers. When claims exceed reserves after a major disaster, assessments cascade to all insurers in the state and ultimately to all policyholders — socializing losses across the entire market, including affordable housing operators who are already paying elevated premiums. This mechanism provides no relief for the underlying risk; it transfers the cost of market failure onto those least able to bear it.

CCI's October 2025 report *Protection or Profit?* documents a more fundamental design flaw in FAIR Plans: they violate the core actuarial principle of risk pooling by concentrating single-peril, high-risk policies without the broad, diverse risk spread that makes insurance financially stable. CCI characterizes this as analogous to a health insurance pool composed only of stage-4 cancer patients — structurally guaranteed to fail under catastrophic events. FAIR Plans are also, in most states, governed substantially by the private insurance industry itself — an inherent conflict between the plan's public mandate to serve high-risk policyholders and the industry's incentive to minimize payouts and cherry-pick low-risk policies. CCI's redesign recommendations — restructuring FAIR Plan finances under public control, requiring comprehensive multi-peril coverage rather than single-hazard policies, and mandating that private carriers bear more risk rather than off-loading it to the public plan — have direct application to affordable housing policymakers.

B. The Mortgage Market and Foreclosure Risk

Federal Reserve Chairman Jerome Powell, in February 2025 testimony before the Senate Banking Committee, articulated the downstream threat clearly: 'In 10 or 15 years there are going to be regions of the country where you cannot get a mortgage because insurance isn't available.' Most lenders require homeowners and multifamily operators to maintain insurance as a condition of the loan. Properties unable to obtain or afford market insurance may face loan default, foreclosure, or loss of financing eligibility.

For LIHTC properties, the inability to maintain adequate insurance can trigger compliance defaults with both lenders and state housing finance agencies—potentially resulting in tax credit recapture, investor liability, and, ultimately, loss of affordable housing units. The Chicago Fed Letter (October 2025) on LIHTC expirations and early exits notes that these compliance pressures, combined with financial distress, are already contributing to accelerated exits from the LIHTC program—a dynamic that could remove hundreds of thousands of units from affordable status in the next decade.

A specific and underappreciated GSE pressure point is documented by Enterprise (2026): Fannie Mae and Freddie Mac guidelines limit property insurance deductibles to \$50,000 or less for properties under \$10 million in value. Commercial properties in other sectors routinely carry deductibles of \$250,000 to \$2 million. This constraint forces affordable housing operators to buy premium-heavy low-deductible policies that the commercial market has largely moved away from — effectively mandating a cost structure that has no equivalent in the broader real estate sector.

C. The Underinsurance and Coverage Gap Problem

LendingTree reported that approximately 14% of owner-occupied homes nationwide are uninsured — up more than 6% from 2023 to 2024. CFA research found that 15% of lower-income homeowners have no coverage of any kind; critically, an enormous data gap exists for rental housing, for which no comparable national uninsurance figure exists (CCI, 2025). For multifamily affordable housing, outright uninsurance is less common because lenders require coverage; but underinsurance is pervasive. Owners who accept higher deductibles, strip out wind or flood perils, or reduce replacement cost coverage satisfy lenders' technical requirements while accumulating hidden losses that will materialize in the next disaster.

A separate dimension of inequity in the coverage gap: CFA and CCI joint research (2025) found that insurers charge households with low credit scores in low-disaster-risk areas higher premiums than households with high credit scores in high-disaster-risk areas. This practice — which perpetuates the legacy of insurance redlining — also directly contradicts the claim that insurance pricing provides rational risk signals. In Louisiana, the combined impact of high premiums and inequitable pricing means 3 in 5 households would spend more than 10% of their income on a standard home insurance policy (CCI, 2025). For affordable housing residents already cost-burdened by rent, this insurance-to-income ratio compounds the affordability crisis.

NFIP coverage penetration remains dangerously low even in identified flood hazard areas: the Urban Institute's Houston analysis found NFIP policies covering only about 22% of housing units in Harris County floodplains. FEMA's Risk Rating 2.0 restructured premiums toward actuarial levels — but CCI (2025) documents that NFIP participation has actually declined following Risk Rating 2.0, as price signal increases have discouraged enrollment rather than driving risk reduction. This is direct empirical evidence against the 'price signaling' theory of insurance-driven risk mitigation: when prices rise to reflect true risk, low-income households and affordable housing operators exit the program, leaving them more exposed rather than more resilient.

Taken together, the FAIR Plan trajectory, GSE financing pressure, inequitable pricing structures, and underinsurance dynamic describe a market that is not merely expensive — it is structurally fragile and inequitable. Section VI examines the deepest layer of that fragility: the migration of affordable housing into the unregulated E&S market.

VI. The Rise of Unadmitted Carriers and Consolidation of Affordable Housing into the E&S Market

A. The Scale and Speed of the Migration

The E&S market now commands 25.7% of total commercial property/casualty premiums in the United States — up from a 3.6% share in 2000 — with domestic direct premiums written reaching \$98.2 billion in 2024 (S&P Global Market Intelligence, 2025). This is not a broad-market trend affecting all property classes equally. The states with the highest E&S market share are those with the highest LIHTC insurance costs: Louisiana (22.7%), Florida (21.1%), and South Carolina (19.4%). The industry category with the most persistent rate increases is 'habitational' — the sector that directly includes affordable multifamily. Insurance Journal's 2025 market reporting described habitational as a 'distressed situation' even as other commercial property lines moderated. The growth is not opportunistic; it reflects admitted carriers making deliberate underwriting decisions to exclude the aging, climate-exposed, small-margin properties that define the affordable housing stock.

B. What Unadmitted Means: The Regulatory and Consumer Protection Gap

The distinction between admitted and unadmitted (E&S) carriers is not merely technical—it has profound implications for the risk profile of affordable housing operators, lenders, investors, and ultimately residents. Admitted carriers are licensed by each state's Department of Insurance, must file their rates and policy forms with state regulators, are subject to rate approval processes, and—critically—participate in state insurance guaranty funds. Non-admitted carriers, by contrast, are not licensed in the states where they write policies, are not subject to state rate and form regulation, and do not participate in state guaranty funds.

The National Association of Insurance Commissioners (NAIC) states plainly that state guaranty fund protection is a 'consumer protection within the admitted market, but not available to the surplus lines market.' The NAIC adds that 'due to the unique and higher risk exposures written in the surplus lines industry, guaranty fund coverage is not available.' Every state is required by law to include a written notice in surplus lines transactions advising the insured that their policy 'is not covered by the state guaranty fund and is placed with a surplus lines company not subject to many of the state's regulations.' In the event of insolvency of a surplus lines carrier, policyholders may receive nothing.

The implications for affordable housing are stark. For an admitted insurer insolvency, the state guaranty fund steps in to pay claims up to statutory limits. For an unadmitted insurer insolvency, an affordable housing property—potentially housing dozens or hundreds of low-income families—could face uncompensated losses from a fire, flood, or windstorm, with no state backstop. The property may have no ability to rebuild. Lenders holding mortgages on those properties face collateral impairment. Residents face displacement. And because most LIHTC regulatory agreements require maintained insurance as a condition of compliance, an insolvency event could trigger tax credit recapture exposure on top of the physical loss.

Non-admitted carriers also have more flexibility in policy forms, which often results in 'named peril' policies rather than the 'all-risk' (open peril) coverage typical of admitted market policies. Named peril policies cover only losses from explicitly listed causes. This narrower coverage, combined with higher deductibles that have become standard in the E&S market, means that affordable housing operators may be carrying policies that—while technically satisfying lender insurance requirements on their face—provide meaningfully less real protection than the coverage they replaced.

C. Concentration of Affordable Housing in a Thinly Regulated Segment

The consolidation of affordable multifamily housing insurance into the E&S market is not uniformly distributed across the industry. Market-rate Class A properties—which generate the revenues needed to absorb higher premiums, attract institutional capital, and support dedicated risk management staff—have greater access to admitted market options, captive programs, and sophisticated insurance placement

strategies. LIHTC and NOAH properties, by contrast, are disproportionately concentrated in the admitted market's highest-risk categories: aging building stock in climate-vulnerable geographies with lower replacement cost values relative to premiums, higher loss histories, and operators who lack the scale to self-insure.

As admitted carriers have tightened their underwriting standards to exclude exactly these property profiles, affordable housing has been systematically pushed toward the E&S market. A 2024 insurance industry analysis by Jencap Group specifically identified 'certain multifamily housing' as a sector where E&S placement is now common, noting that 'industries considered higher risk and/or niche coverages are often placed with non-admitted carriers.' The RPS (Risk Placement Services) 2025 market outlook, as cited in Insurance Journal, explicitly flagged habitational insurance—which includes affordable multifamily—as one of the market segments where 'niche firming' is intensifying and where 'risks are pouring into the E&S market.'

The concentration dynamic is further reinforced by the role of wholesale brokers, who serve as the mandatory intermediaries in E&S placements. A licensed surplus lines broker must make a 'diligent effort' to place coverage with an admitted carrier before accessing the E&S market. In theory, this creates a safeguard. In practice, in markets where admitted carriers have broadly exited multifamily housing in high-risk states, the 'diligent search' requirement becomes pro forma, and LIHTC and NOAH operators have no meaningful choice. They enter the E&S market not as sophisticated risk managers seeking bespoke coverage, but as distressed buyers with no other option.

25.7%

E&S market share of total U.S. P/C commercial lines premiums in 2024 —up from 3.6% in 2000

AM Best Annual Surplus Lines Report; S&P Global Market Intelligence 2025 U.S. E&S Market Report

D. Systemic Risk: Concentration, Insolvency, and the Guaranty Fund Gap

The systemic risk implications of affordable housing's migration into the E&S market extend well beyond the individual property level. They implicate the stability of the broader affordable housing finance ecosystem.

1. The Insolvency Risk: No Guaranty Fund Backstop

The NAIC's own data shows that while the historical insolvency rate of surplus lines carriers is low, it is not zero. And the conditions that drive insolvency risk—concentrated exposure to catastrophic weather events, rapid premium growth without commensurately seasoned loss reserves, and market participants entering the space opportunistically during a hard market—are precisely the conditions prevailing today. S&P Global Market Intelligence noted that E&S property premiums grew 40.6% in 2023 alone, the fifth consecutive year of 20%+ growth. Rapid expansion of this kind can mask reserve inadequacy that only becomes apparent after major loss events.

For LIHTC properties with 30-year regulatory agreements, tax credit compliance obligations, and investor syndicates that have already sold tax credits to corporate investors, an insolvency event at a surplus lines carrier could create catastrophic cascading liability. The lender's deed of trust typically includes an insurance requirement; failure to maintain adequate insurance constitutes a loan default. Investor

regulatory agreements require compliance with all applicable laws; a compliance default triggered by insurance failure could lead to tax credit recapture. And state housing finance agencies may have their own regulatory remedies. The result is a complex web of liabilities, all triggered by the failure of a single unregulated insurer with no state guaranty backstop.

2. Lender Exposure and GSE Compliance Risk

Fannie Mae and Freddie Mac, which finance a significant share of LIHTC and market-rate affordable housing through their Delegated Underwriting and Servicing (DUS) platform and multifamily programs, impose detailed insurance requirements as conditions of mortgage eligibility. These include requirements for replacement cost value (RCV) coverage, maximum deductible thresholds (Fannie Mae requires deductibles not to exceed 5% of the policy's total coverage amount for condominiums; similar standards apply for multifamily), and specified minimum perils. Properties that cannot meet these requirements are ineligible for GSE-backed financing.

As deductibles at both admitted and E&S carriers have soared—with the Federal Reserve Bank of Minneapolis documenting an average 700% increase in deductibles from 2021 to 2024 among its survey respondents—an increasing number of multifamily properties may be approaching or exceeding the GSE's deductible tolerances. At the same time, named-peril E&S policies that exclude certain wind, flood, or fire coverage may not satisfy lenders' all-peril requirements. Properties that cannot demonstrate compliant insurance coverage face potential default under their loan covenants—even if no loss has occurred. This is not a theoretical risk: VF Law documented in 2024 that Colorado condominium associations were already being rendered 'non-warrantable' for conventional financing due to insurance changes driven by hail and wind claims.

For HUD/FHA-insured multifamily mortgages, the Federal Register's 2025 proposed rule on Changes in Mortgage Insurance Premiums Applicable to FHA Multifamily Insurance Programs signals heightened regulatory attention to insurance risk in the affordable housing portfolio. The convergence of E&S market concentration and lender insurance requirement stress creates a potential financing cliff for affordable housing properties in high-risk markets.

3. Coverage Adequacy Deterioration: The Named Peril Problem

Perhaps the most insidious systemic risk of the E&S migration is the slow deterioration of actual coverage adequacy, which is largely invisible to regulators, lenders, and even property owners until a loss occurs. The Americans for Financial Reform Education Fund's September 2025 report on Rising Property Insurance Premiums: The Uneven Risks to Household and Systemic Financial Stability explicitly identifies affordable housing as bearing the greatest insurance volatility risk, noting that 'insurance volatility may pose the greatest threat to affordable rental housing both because these owners may be charged more for insurance than a typical landlord and because these owners have fewer options when insurance becomes unavailable or unaffordable.'

Named-peril E&S policies that exclude wind in coastal zones, flood in riverine and coastal areas, or wildfire in the wildland-urban interface create a patchwork of coverage that may appear adequate at inception but fails catastrophically in the loss events it was specifically designed to exclude. For NOAH owners who lack the financial sophistication to parse policy exclusions and who may be relying on a broker's assurance that the coverage 'meets lender requirements,' the gap between paper coverage and actual protection can be enormous.

The Federal Reserve Bank of Minneapolis study's finding that deductibles increased 700% from 2021 to 2024 is particularly significant in this context. Deductible increases are, in economic substance, a form of self-insurance: the property owner is absorbing that portion of any loss personally. For a 100-unit LIHTC property with a \$500,000 deductible on a wind event (not uncommon in current Gulf Coast markets), a

roof failure from a moderate hurricane results in the owner—often a limited partnership with minimal liquid assets—having to produce half a million dollars before insurance pays a single dollar. In most LIHTC structures, that capital simply does not exist.

4. The Concentration-of-Carrier Risk

The Triple-I's September 2024 analysis of E&S market structure found that approximately 68% of total E&S direct premiums written are concentrated in the top 25 E&S carriers. The top five writers—Berkshire Hathaway, AIG, Fairfax Financial, STARR Companies, and W.R. Berkley—collectively dominate the market. In the habitational and commercial property segments most relevant to affordable housing, concentration is even more pronounced. STARR Companies captured a 40.6% share of the E&S fire line in 2023—up from 24.1% a decade earlier. It should be noted that this figure reflects the broader commercial fire line rather than the habitational sub-segment specifically; disaggregated data on habitational E&S market share by carrier is not publicly available, representing a transparency gap that regulators should close. The broader concentration dynamic—in which a small number of unregulated, non-guaranteed carriers have become the primary insurers of affordable housing in high-risk states—remains a well-supported concern regardless of exact sub-segment shares.

This extreme concentration creates systemic fragility. If a single major E&S carrier—say, a firm with disproportionate exposure to Gulf Coast habitational or California wildfire—faces catastrophic losses that impair its solvency, a significant share of the affordable housing industry's insurance coverage could disappear simultaneously. With no guaranty fund backstop, the resulting claims vacuum would cascade simultaneously to thousands of LIHTC and NOAH properties, their lenders, their investors, and their residents. The interconnected nature of LIHTC syndication—where a single syndicator may have tens of thousands of units in a single insurance program—amplifies this concentration risk further.

E. The Regulatory Gap: An Invisible Risk

Federal and state housing policy has not addressed the E&S migration. LIHTC Qualified Allocation Plans require adequate insurance but do not specify admitted-market minimums or prohibit E&S placement. HUD's multifamily insurance guidelines address coverage type and amount but not the admitted/non-admitted distinction or the guaranty fund gap. The Bipartisan Policy Center's February 2025 report identifies insurance market dysfunction as a federal concern but does not address E&S dominance of affordable housing specifically.

The consequence is a risk that accumulates without triggering any regulatory alarm. When a LIHTC property moves from an admitted carrier to an E&S carrier at renewal, it may still technically satisfy its lender covenant and housing agency compliance requirement — even as coverage narrows, deductibles rise, and the carrier's insolvency would leave the property with no backstop. That switch is not reported to the housing finance agency, not reviewed by the tax credit compliance monitor, and not visible in any federal dataset. The 2024 moderation in property insurance rates — the first decline since 2017 — may obscure this structural shift: rates fell slightly for well-capitalized market-rate properties while habitational and affordable housing continued to migrate deeper into the E&S market. The market appears to be stabilizing; for affordable housing, it is bifurcating. Section VII addresses what policy can do about it.

VII. Policy Framework and Recommended Solutions

The interventions below are organized by what each can accomplish and how quickly. Federal structural reforms address the root cause — market failure that no operator-level action can fix. E&S-specific regulatory reforms close the hidden compliance gap documented in Section VI. State interventions stabilize the existing portfolio while federal reforms take effect. Industry practices extend the reach of structural solutions to operators too small to access them directly. Recommendations are sequenced by immediacy: the OCAF fix can happen administratively within months; the federal backstop requires legislation and CBO scoring; E&S disclosure can be implemented by HUD through regulatory guidance. No single intervention is sufficient on its own, but the OCAF reform and E&S disclosure mandate are available now and should not wait for the longer-term work.

A. Federal Structural Reforms

1. Federal Reinsurance Backstop — Design Matters as Much as Existence

Multiple policy organizations — including the Center for American Progress, the Yale Law Journal, BPC, and NMHC — have called for a federal reinsurance program for state residual markets. The housing affordability coalition's June 2024 letter specifically recommended a 'public reinsurance fund for insurers.' The broad goal is clear: by absorbing a defined tranche of catastrophic losses, the federal government reduces the tail-risk exposure currently driving admitted carriers from climate-stressed markets, making re-entry economically viable and restoring competition, coverage quality, and regulatory protection.

Where these proposals diverge is on design — and on whether TRIA is the right template. Enterprise Community Partners' February 2026 report makes an important distinction: TRIA was designed for a 'black swan' low-probability catastrophic event. Climate risk is chronic, predictable, and cumulative — it does not require an extreme trigger event to manifest. Enterprise proposes an FDIC-based model instead: a federal backstop entity that sits between primary insurers and the global reinsurance market, selling risk into reinsurance markets when capacity is available and retaining risk on its own balance sheet when reinsurance markets are too tight or expensive. Funded by a small fee on all policies — as FDIC is funded by bank deposit insurance premiums — this backstop could be both pre- and post-funded, building reserves over time rather than relying on emergency appropriations after a catastrophe. The FDIC analogy is instructive precisely because it is not crisis-driven: it maintains market stability continuously, not just after black swan events.

The TRIA analogy retains value as a proof of concept — it demonstrated that federal risk-sharing can restore private market capacity rapidly — but Enterprise's critique is correct that its activation threshold and program design are poorly suited to the persistent, widespread, and annually repriced risks driving affordable housing insurance costs. The optimal design likely borrows from both: TRIA's demonstrated mechanism for restoring private carrier participation, FDIC's continuous operation model and fee-funded reserve structure, and UK Flood Re's sunset-provision requiring risk reduction as a condition of ongoing federal protection. What design choice Congress makes matters enormously; policymakers should commission a formal CBO score and comparative program analysis before legislating.

A second, more targeted federal program proposed by Enterprise merits serious consideration alongside the broader backstop: an Affordable Housing Catastrophe Risk Insurance Program that operates at the property or portfolio level. Under this structure, operators would voluntarily accept higher commercial insurance deductibles — say \$500,000 — in exchange for federal coverage of mid-layer losses between a lower floor (e.g., \$50,000) and that deductible ceiling. This directly addresses the GSE constraint problem: lenders require low deductibles that force operators into expensive premium-heavy policies; the

federal mid-layer program would allow operators to take high deductibles and achieve premium savings while satisfying lender coverage requirements. Enterprise estimates potential savings of 15% or more on premiums, representing \$50,000+ in annual savings on a \$100M insured portfolio — funds that could be reinvested in property improvements or new production. This program would require coordination among HUD, Treasury, and FHFA, but Enterprise's analysis suggests it could be fiscally self-sustaining through premium collections.

The moral hazard dimension applies to all backstop designs: federal protection that absorbs losses without conditioning coverage on risk-reduction behavior reduces incentives for states to update building codes, for developers to invest in resilience, or for localities to restrict high-hazard development. Responsible backstop design would tie federal participation to demonstrable mitigation commitments — making the backstop a lever for risk reduction, not a substitute for it.

For policymakers oriented toward more structural transformation, CCI's *Protection or Profit?* (2025) proposes state-level Housing Resilience Agencies (HRAs) — entities that would combine a public single-payer disaster insurance program with a mandatory Risk Reduction Office responsible for land use, building codes, and community-scale mitigation. The HRA model would be backstopped by federal reinsurance. CCI explicitly argues that the only durable solution is to shift away from the model that 'privatizes profit and socializes losses' — and that neither FAIR Plans nor private market backstops can achieve this without a structural redesign of who bears risk and who governs the system. The HRA proposal is a longer-horizon reform than the backstop options described above, but it reflects the correct diagnosis: the crisis is not a temporary market disruption requiring stabilization, but a structural mismatch between profit-maximizing insurance provision and the public need for stable, equitable housing protection.

2. Reform of Operating Cost Adjustment Factors (OCAFs)

The housing coalition letter and NAHRO both specifically identified HUD's OCAF methodology as inadequate. HUD should update OCAFs to use commercial multifamily insurance cost indices rather than consumer insurance data, so that Section 8 contract rent adjustments accurately reflect the unprecedented insurance inflation experienced by affordable housing operators. This reform could be accomplished by HUD administratively—no Congressional action is required—and would have an immediate, measurable impact on the financial sustainability of the existing subsidized housing portfolio. It is the single most actionable near-term intervention available to HUD, with no structural trade-offs.

3. NFIP Reform and Long-Term Reauthorization

The NMHC identified NFIP reform as the single most important federal policy action for affordable housing in both its 2023 and 2024 State of Multifamily Risk surveys. ASFPM has outlined detailed priorities including a 'sufficiency standard' for the program's reserve fund, elimination of punitive surcharges, and increased ICC limits to reflect current construction costs. CCI (2025) goes further, proposing conversion of the NFIP into a National Disaster Insurance Program (NDIP) covering multiple disaster types for all risk levels — eliminating the single-peril limitation that violates fundamental risk-pooling principles. At minimum, the NFIP must be reauthorized on a long-term basis; short-term extensions create financing uncertainty that directly impairs affordable housing development in flood-prone markets. The documented decline in NFIP participation following Risk Rating 2.0's actuarial repricing underscores that price signals alone do not produce resilience — participation incentives, income-scaled premiums, and community-level mitigation investments must accompany any actuarially sound repricing.

4. GSE Deductible Reform

Enterprise (2026) identifies the GSE deductible constraint as a specific and addressable source of insurance cost inflation: Fannie Mae and Freddie Mac guidelines cap property insurance deductibles at \$50,000 or less for properties under \$10 million in value, while commercial properties in other sectors routinely carry \$250,000 to \$2 million deductibles. This forces affordable housing operators into premium-heavy, low-deductible policies that the rest of the commercial market has moved away from. FHFA should direct the GSEs to update their deductible guidelines to align with commercial market norms, particularly for operators that can demonstrate adequate reserve funding for higher deductibles. This reform would provide immediate premium relief without any federal fiscal cost.

5. LIHTC Program Expansion and Modernization

Congress's inclusion of LIHTC expansion in the One Big Beautiful Bill (2025) — permanently increasing 9% allocations and lowering the private-activity bond test for 4% transactions — provides meaningful additional production capacity. Additional measures should include: (a) explicit insurance cost allowances in LIHTC underwriting guidance from Treasury and HUD; (b) federal insurance cost subsidies or reserve fund grants for LIHTC projects in designated high-risk areas; and (c) direct pay mechanisms that would allow nonprofit and public developers to receive the tax credit's value as a cash payment rather than through syndication. The direct pay proposal has been advanced by the National Housing Trust and Enterprise Community Partners; it requires Congressional action and a CBO score.

6. Federal Grants and Tax Incentives for Resilience Retrofits

Federal grant programs and tax incentives for risk mitigation are most valuable when they translate directly into insurance premium relief — which requires binding, quantified commitments from insurers, not merely voluntary discount structures. Enterprise (2026) recommends pre-negotiated insurance credits tied to specific improvements: impact-resistant windows guaranteeing a defined premium reduction, comprehensive fire suppression guaranteeing another. Several pending legislative vehicles provide frameworks worth expanding: the FIREWALL Act (S. 1323) would provide tax credits of up to \$25,000 for home hardening against natural disasters; the Disaster Resiliency and Coverage Act (H.R. 1105) would establish a federal mitigation grant program with a 30% tax credit for qualifying risk-reduction activities. Both are currently focused on single-family; both should be extended to cover affordable multifamily properties with grant limits scaled to reflect multi-unit scope.

FEMA's Building Resilient Infrastructure and Communities (BRIC) program, which had been a meaningful source of pre-disaster mitigation funding, was cancelled by FEMA in April 2025. As of early 2026, a federal court has temporarily blocked the reallocation of committed BRIC funds pending state litigation, but future funding is uncertain. Congress should restore and expand BRIC specifically for multifamily affordable housing — or create a dedicated successor program through HUD — as part of any comprehensive insurance relief package. Resilience investment without a functional federal grant program is a mandate without the means to meet it.

7. HUD Insurance Summit Follow-Through

HUD convened an Insurance Summit in July 2024 and identified the crisis in detail. NAHRO's subsequent analysis called for statutory and regulatory follow-through including adjustments to the operating fund formula for public housing agencies and enhanced shortfall funding. Congress should appropriate adequate shortfall funding. HUD should issue formal guidance reflecting the extraordinary insurance cost environment and establish the data collection framework for E&S market disclosure described in Section VII.B.

8. Federal Insurance Office (FIO) Expansion

Congress should expand FIO's authority to include: data collection on multifamily and commercial insurance by admitted vs. E&S carrier; mandatory reporting by insurers withdrawing from state markets; collection of habitational insurance data disaggregated by property income tier (market-rate vs. affordable); and tracking of credit-score-based premium differentials as documented by CCI and CFA. Without this data, policymakers are legislating blind. FIO expansion is the data infrastructure that makes every other federal intervention targetable.

B. E&S Market Regulation: Closing the Compliance Gap

The regulatory gap identified in Section VI.E requires targeted interventions that do not depend on the broader backstop legislation proceeding first. These can be implemented by HUD, GSEs, and state housing finance agencies acting within their existing authority.

1. Mandatory E&S Disclosure for Federally Assisted Housing

HUD should require LIHTC properties and other federally assisted housing to disclose E&S carrier placement as part of annual compliance reporting to state housing finance agencies. This is a regulatory guidance action, not legislation. It creates the data infrastructure for every other intervention in this subsection — without it, no regulator knows where the exposure is concentrated.

2. GSE and HUD Coverage Adequacy Standards

Fannie Mae, Freddie Mac, and HUD/FHA should update their multifamily insurance requirements to address the admitted/non-admitted distinction explicitly. Where E&S placement is unavoidable, lenders and housing finance agencies should require minimum carrier financial strength ratings (AM Best A- or better) and policy form review for named-peril adequacy. Properties with E&S coverage that fails these standards should not satisfy GSE insurance covenants on a technical compliance basis alone.

3. State Guaranty Fund Extension or Federal Equivalent for Federally Assisted Properties

Policymakers should establish insolvency protection for E&S placements in federally assisted housing — either by extending state guaranty fund coverage to these properties through state legislation, or by creating a federal backstop modeled on TRIA's admission-neutral structure. This is the most consequential gap: it is the one that turns an E&S carrier insolvency from a bounded financial loss into a cascading regulatory default across the LIHTC compliance chain.

4. QAP Underwriting Standards for Insurance Market Tier

State housing finance agencies should update QAPs to require: (a) a documented good-faith effort to obtain admitted coverage before accepting E&S placement; (b) higher operating reserve requirements for properties placed in E&S; and (c) scoring preference in competitive 9% rounds for properties demonstrating admitted market insurance commitment. These are state-level actions that can be implemented in the next allocation cycle.

C. State-Level Interventions

1. State Insurance Pool and Group Purchasing Programs

Several states have piloted state-run insurance programs or group purchasing pools for affordable housing operators. Minnesota's Community Stabilization NOAH Multifamily Program (\$41.75 million) demonstrates state capacity to intervene directly in preservation finance; pairing such programs with

insurance support — stop-loss coverage, premium subsidies, or group policy arrangements — would extend their impact to the insurance cost dimension of NOAH viability.

2. Building Code Modernization Tied to Insurer Commitments

States should modernize building codes for wind, hail, and wildfire resilience and require insurers to provide binding, quantified premium discounts for compliant properties. The key word is binding: Florida's My Safe Florida Home program and California's wildfire mitigation discount requirements have both found that voluntary discount structures produce inconsistent results. The discount must be a condition of operating in the state market, not a recommendation.

3. Affordability Period Extension and Covenant Protections

More than 24 states have extended LIHTC affordability beyond the federal 30-year minimum; Vermont requires perpetual affordability. Insurance stress is now the primary driver of early program exit — it is not a housing policy failure but a financial one that covenant extension alone cannot prevent. States should pair longer covenants with operating reserve grants specifically sized to absorb insurance deductible exposure for properties in high-risk markets.

4. NOAH Preservation Programs

Cities and states should fund dedicated NOAH preservation programs providing acquisition financing, rehabilitation loans, and operating subsidies to mission-driven buyers — CDFIs, nonprofits, community land trusts — who will maintain affordability. The NOAH Impact Fund (Minneapolis/St. Paul), Charlotte's Pilot NOAH Subsidy Program, and Detroit's Housing for the Future Fund demonstrate that these models close in competitive markets. The missing ingredient in most markets is not program design but capital at scale.

D. Industry and Developer Practice Changes

1. Portfolio-Level Insurance Strategies

Large LIHTC owners and developers should pursue captive insurance arrangements, higher-deductible programs paired with funded self-insurance reserves, bundled multi-property policies, and parametric products that pay on weather event thresholds. NAHRO and NMHC have documented that these strategies partially offset premium increases where scale allows — but their availability is limited to portfolios large enough to be self-capitalizing. Smaller nonprofit developers and individual NOAH owners cannot access them.

2. Resilience Investment: Necessary but Not Sufficient

Property-level resilience investment — wind-resistant roofing, fire-resistant cladding, flood barriers, elevated mechanical systems, green retrofits — reduces the physical probability of loss and can support premium negotiations in markets where admitted carriers are still active. Federal programs exist to fund this work: FEMA's HMGP, HUD's CDBG-DR, and IRA retrofit incentives. Operators should pursue them.

The limit is structural. The forces driving admitted carriers from entire states — 190 billion-dollar weather events in a decade, sustained reinsurance market retreat, accelerating climate risk — are not addressable at the building scale. Florida's My Safe Florida Home program, among the most substantial state hardening initiatives in the country, found limited premium relief for participating homeowners because the market had already structurally failed around them. California's mandated wildfire mitigation discounts have faced the same implementation inconsistency. A LIHTC property with a new impact-

resistant roof remains uninsurable if every admitted carrier has left its state. Resilience and structural market reform are complementary. Neither substitutes for the other.

3. Underwriting Transparency and Data Sharing

The Minneapolis Fed study found that almost no quantitative multifamily insurance cost data exists beyond the Novogradac, Yardi Matrix, and RealPage datasets. A publicly accessible, federally maintained dataset on multifamily insurance costs — by geography, property type, carrier type (admitted vs. E&S), and policy form — is a prerequisite for targeted intervention. FIO expansion (Section VII.A.6) is the appropriate vehicle for commissioning it.

VIII. Conclusion

This paper has traced a failure with a clear structure. Climate-driven losses have made private carriers unable to price and hold risk in large portions of the U.S. property market. The reinsurance cascade has amplified that pressure globally. Affordable housing — LIHTC and NOAH — bears the concentrated impact because it operates where markets have failed most severely, cannot raise revenue to cover cost increases, and lacks the financial scale to self-insure or access alternatives. As admitted carriers have withdrawn, affordable housing has consolidated into the E&S market: a segment with no state guaranty protection, minimal regulatory oversight, narrowing coverage, and accelerating carrier concentration. That migration is currently invisible to every regulatory body responsible for affordable housing compliance.

Three federal actions can interrupt this failure. A reinsurance backstop, honestly designed with TRIA's architecture and climate risk's distinct dynamics both in view, changes the actuarial math that is keeping private carriers out of state markets — restoring admitted coverage, competition, and the regulatory protections that admitted markets carry. OCAF reform corrects a years-long systematic underfunding of operators that HUD can fix administratively, without legislation, within months. Mandatory E&S disclosure creates the data infrastructure without which no other intervention can be targeted. These are not speculative proposals; they have precedent, institutional sponsors, and documented mechanisms. What they do not yet have is a CBO score for the backstop, a national dataset on E&S concentration in affordable housing, or peer-reviewed causal evidence linking insurance costs to resident displacement. Section VIII identified those gaps clearly. They are the next research and legislative agenda — not reasons to defer action on what is already known.

The resident at the end of this chain — a family earning 40% of area median income, in a NOAH apartment in Houston or a LIHTC unit in New Orleans, whose landlord just received a renewal notice with a 45% premium increase and a \$200,000 deductible — does not have the luxury of waiting for a CBO score. The 1.2 million federally assisted units with affordability covenants expiring between 2025 and 2030 do not have the luxury of waiting. Insurance stress is accelerating the timeline on which affordable housing exits compliance, deteriorates, or is sold. The policy response needs to match that timeline.

***'The insurance crisis in the U.S. is the canary in the coal mine, and the canary is dead.'* — Dave Jones, former California Insurance Commissioner, Director of the Climate Risk Initiative, UC Berkeley School of Law**

Evidence Gaps and the Next Research Agenda

Intellectual honesty requires naming what this paper cannot establish with full confidence, and what work would change that:

- No national data documents the share of LIHTC and NOAH units currently insured by E&S carriers. This is the single most important missing dataset for housing finance regulators. FIO expansion and mandatory E&S disclosure together create the reporting infrastructure to fill it.
- The Minneapolis Fed deductible and premium figures are directionally corroborated by Novogradac's national dataset but derive from 35 owners in one Fed district. A nationally representative survey is overdue.
- Causal attribution of resident displacement to insurance costs specifically — isolated from interest rates, construction costs, and tax credit pricing — has not been established in peer-reviewed literature. The mechanism is well-documented; the magnitude is not. HUD and the Federal Reserve should jointly commission a longitudinal study.
- A federal backstop's fiscal cost has not been CBO-scored. This is a prerequisite for serious Congressional action and should be commissioned immediately. The Bipartisan Policy Center's TRIA comparison suggests net federal costs may be low if the backstop restores market function; but that comparison requires formal validation.
- International precedents — UK Flood Re, France's CatNat, Germany's proposed natural hazard system — offer tested design models that are absent from the U.S. policy debate. Flood Re's 25-year sunset provision tied to risk reduction obligations is particularly relevant: it demonstrates that public backstops can be structured to incentivize mitigation rather than subsidize risk indefinitely. A formal comparative analysis should precede U.S. program design.

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This white paper is provided for informational and policy purposes. All statistics and citations reference publicly available sources as of March 2026. The analysis and policy recommendations represent a synthesis of credible third-party research and do not constitute legal, financial, or regulatory advice.