

Property and Liability Insurance Market Study

The Washington state Office of the Insurance Commissioner, Davies Actuarial, Audit & Consulting, Inc., and Alvarez & Marsal Financial Services Industry Group LLC delivered a report to the Legislature in December 2024 on the affordability and availability of property and liability insurance for housing providers:

- Receiving housing trust fund resources (RCW 43.185A.130); and
- Serving extremely low-income households (RCW 36.70A.030).

The report presented 12 policy options the Legislature could consider to improve insurance options for these services.

Causes of the insurance crisis

Overall property & casualty insurance market conditions.

- Commercial insurance costs have increased over the past 25 financial quarters, due to extreme weather and wildfire-related losses, and a restricting reinsurance market that provides less protection to primary insurers.

Property characteristics.

Many properties in the housing provider fall into two categories insurers consider unattractive risks:

- Old properties with wood frame construction, old roofs, and lack modern safety measures.
- New properties with an appraised value above \$10 million, which is over the limit many insurers will accept for a single risk.

Risk profile of residents.

- Insurers¹ see an increased risk with some of these residents. A single resident in the group with disruptive behaviors could result in a higher-than-normal claim that could displace all residents.
- Residents typically do not have renters insurance. This affects the recovery of the property owner's insurer. Renters insurance transfers a portion of the risk from the landlord's insurer to multiple tenants' renters insurers.

¹ As outlined in the report, the insurance entities that provide property and liability coverage to these housing providers mostly fall outside the OIC's regulatory authority.

Policy option categories

- **Reduce the total cost of risk** by improving the properties, increasing property inspections, and/or mitigating behavioral risks.
- **Increase the availability of insurance** by establishing a new insurance or reinsurance mechanism capitalized with public funds (“Public (Re)insurer”).
- **Subsidize the cost of insurance**, either directly or indirectly.
- Combine multiple policy options.

Policy options		Reduce total cost of risk	Increase availability	Subsidize the cost of insurance
1	Increase Availability of Insurance by creating a new Public Reinsurer to reinsure private carriers 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.			√
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 for individuals placed into Affordable Housing units.		√	√

Policy options		Reduce total cost of risk	Increase availability	Subsidize the cost of insurance
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.	√	√	
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.	√	√	√