



# Affordable Housing Property Coverage Considerations

Our Affordable Housing team continually monitors insurance industry trends that impact organizations working in the various sectors of affordable housing – from developers to property managers to investors. In today's challenging insurance market, careful consideration of and strategic action on the following items is important.

## Insurance-To-Value

Insurance-To-Value (ITV) is the insurance term for the amount of protection in place to cover the replacement cost of a property. Due to the many factors contributing to increased construction costs, including a lack of skilled workers and higher material costs, insurance carriers are focusing on ITV. This focus on increasing property values is creating tension between insurance carriers and the affordable housing industry. Given this increase in portfolio values, insurance premiums are increasing – notwithstanding the impact of increasing property rates.

Consider the following questions to help you make sure your insurance program is appropriately structured to combat the push for higher valuations:

- Is the Agreed Amount Endorsement on your policy to prevent penalties for potentially underinsured locations?
- Are your properties specifically scheduled or protected under blanket coverage?
- How are you determining Replacement Cost values for your properties?

## Builder's Risk

Affordable housing developers face significant risks during construction or renovation. Builder's Risk can guard against losses caused by theft, wind, water, fire and other incidents.

When it comes to avoiding costly mistake, consider the following as you structure your builder's risk policy:

- What is covered/excluded? Is there a difference between what is covered under the policy and what the lender is requiring?
- What is the difference/dangers regarding who obtains the builders risk coverage – GC vs. owner?
- Is your project a rehab or ground-up construction? If rehab, is the policy properly structured for moving from one unit or building to another? Could there be a gap in coverage or a vacancy issue?
- Are you properly calculating soft costs? What should be included? Does the lender or investor have a requirement and, if so, is the required amount the same as what is needed to protect the project?

On December 10, the Scott Affordable Housing Practice Group is hosting a 30-minute webinar that will explore these insurance coverage considerations and our recommendations in greater detail. To register for our webinar, [click here](#).

### Written by Nathan Kerr

Nathan is Vice President and Branch Leader of Scott Insurance's Roanoke, Virginia office. He began his career with Scott in 2000 and started their Knoxville, Tennessee office in 2001 as a Commercial Risk Advisor. In 2011, Nathan became the Branch Leader of the Roanoke, VA office and leads the Affordable Housing Practice Group for Scott Insurance. As a property and casualty risk advisor, he works as an advocate, advisor, and broker to middle market companies with their risk management needs.

Call Nathan at **540-224-1774** if you have any questions or need any additional assistance.