



## Efforts Grow to Rein In Escalating Insurance Costs

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From all indications, starting January 1, 2002, insurance providers will cease covering any acts of terrorism on U.S. real estate. This prospect, in an environment where insurance costs continue to rise precipitously, threatens to exacerbate the upward pressure already on rents and operating costs. To date, costs for insurance have escalated to the point where many developers and owners are underwriting them at about 150 percent of 2000 actual amounts, making the financing of tax credit projects ever more difficult.

On November 29, the House of Representatives voted to pass the Terrorism Risk Protection Act (H.R. 3210), an act the Mortgage Bankers Association of America called an important step toward ensuring the availability of adequate insurance coverage for risks from terrorism. At this writing, the Senate was still considering similar legislation.

The National Multi-Housing Council (NMHC) has led the way in urging Congress to adopt legislation that will cover future acts of terrorism. NMHC members, after discussing today's fast-rising insurance rates and deductibles, and ratings downgrades on many residential risk underwriters, have made the case for reviewing current loan underwriting requirements with an eye toward greater flexibility. Without federal risk sharing, the NMHC says, apartment residents, many of them low- and moderate-income families, will face higher housing costs. Tax credit investors too are feeling the squeeze after suffering severe losses due to enormous claims from the September 11 attacks. The capital market's insurance industry, along with pension funds, could shrink its multi-family housing acquisitions because the September tragedy has reduced its need for tax credits. The National Association of Realtors (NAR) has urged Congress to pass legislation that would provide federal reinsurance coverage for the nation's property and casualty insurers against losses caused by acts of terrorism or war. According to an NAR official, loan funding could be difficult - if not impossible - to find and insurance rates could skyrocket without adequate insurance coverage. For a sample letter urging the U.S. Senate to consider terrorism insurance legislation, go to [www.nmhc.org](http://www.nmhc.org) and click on the Legislative Action Center link. ❖

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