



Rallying For Adequate and Affordable Liability Insurance

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Elsewhere in this issue you will read that billions of dollars in property transactions have been delayed during the first half of 2002 because of the uncertainty over terrorism insurance. This, in effect, has not only stalled the development and construction of commercial property but has had a dramatic effect on affordable housing production.

Rising insurance premiums, made worse by the terrorist attacks of September 11, have industry leaders looking to Congress for relief. Terrorism insurance legislation was introduced in both houses of Congress earlier this year where each bill was passed. Conferees have been appointed to iron out the differences.

Initially, apartments were not subject to insurance hikes as steep as those seen by commercial owners. But in May, a general, non-specific threat warning issued by the FBI regarding terrorists using explosives in apartment properties refocused attention on insuring multifamily housing against terrorist attack.

The National Multi Housing Council (NMHC) issued guidance following the warning and on its web site advocates the federal government share in the burden owners face. "Even before September 11, apartment firms were facing year-over-year insurance increases of up to 100 percent," NMHC says. "Absent federal risk-sharing, apartment residents, many of them low- and moderate-income families, will face higher housing costs."

According to Standard & Poor's, wide swings in premium prices for affordable multifamily housing range from less than \$100 per unit to several thousand dollars per unit, with costs continuing to rise. Some property managers, according to S&P, are opting to increase their deductible to get better pricing, or to switch to an unrated provider that may provide a lower bid. This action could have a detrimental effect on affordable multifamily housing financed with tax credits and tax-exempt bonds as rated bond transactions call for rated providers. National Association of Home Builders president Gary Garczynski has urged state legislators nationwide to focus attention on the general liability insurance crisis and the effect it is having on housing. "Housing-generated local economic benefits are keeping consumer confidence up at a level that Wall Street is simply not delivering," Garczynski told the American Legislative Exchange Council at its annual meeting. "Not acting quickly to solve the problem will diminish our ability to provide safe, decent and affordable homes for working families," he said.

Federal backing for terrorism insurance has won the support of Federal Reserve Chairman Alan Greenspan and President George W. Bush "We in Washington must deal with it, and must deal with it in a hurry, because the pace of new construction is dropping dramatically in America," Bush said. "Banks and investors, and others, will not finance construction projects that do not have terrorism insurance. In order to build a project, in order to employ people, you've got to borrow money, and you can't borrow money unless there's adequate terrorism insurance. And that's not being provided today." Leveraging the support of leaders like President Bush and the Federal Reserve's Greenspan, affordable housing professionals must continue to press and press hard for insurance relief so that much-needed development and construction can get back on track. ❖

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