

**Written Testimony of Chiquita D'Arbeau
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**Submitted to the New York State Senate Joint Public Hearing on the Cost and
Availability of Insurance for Residential Property**

Chair Kavanagh, Chair Skoufis, Chair Bailey, and distinguished members of the Senate Housing Committee, the Senate Investigations & Government Operations Committee, and the Senate Insurance Committee:

Thank you for the invitation to provide testimony today, and for your leadership in convening this Joint Public Hearing. On behalf of the Albany Housing Authority, I want to express my sincere appreciation for your efforts to examine the cost and availability of property and liability insurance in New York, and for your commitment to promoting access, affordability, and long term stability in our state's insurance markets. Your willingness to address this issue directly is vital to the future of affordable and public housing in our communities, and we are grateful for the opportunity to contribute to this important conversation.

I. Introduction: A System Under Strain

Affordable housing providers across the country are experiencing escalating difficulties securing essential insurance coverage. These challenges extend well beyond rising premiums; they now include shrinking market participation, restrictive underwriting practices, and a growing reliance on flawed data tools that disproportionately disadvantage public housing authorities and the communities we serve.

The Albany Housing Authority (AHA) has experienced these pressures firsthand. They pose a significant and growing threat to our organizational stability, our residents, and future development efforts.

II. Unprecedented Premium Increases and Market Contraction

AHA has faced dramatic increases in insurance premiums, even in the absence of operational changes or increases in actual risk. In one recent renewal cycle, the cost of a standard \$5 million excess liability layer rose from approximately \$19,000 to more than \$68,000, an increase of

nearly 250 percent. The total premium for that same development increased by more than \$60,000, despite no change in property condition, use, or management.

At the same time, the number of insurers willing to participate in the market for affordable and public housing has sharply declined. Those who remain increasingly impose:

1. stricter coverage terms,
2. higher deductibles,
3. reduced liability limits, and
4. broad “high-risk” classifications based on generalized assumptions rather than factual assessments.

With fewer carriers in the market, those remaining can effectively dictate rates and terms, which have become unsustainable for mission driven housing authorities.

III. Problematic Underwriting Practices: Crime Scoring and Algorithmic Bias

A key driver of restricted availability and increased premiums is the industry’s reliance on crime scoring tools and algorithmic underwriting systems. These systems often draw on generalized neighborhood level data rather than property specific assessments and disproportionately penalize affordable housing located in urban communities.

During a recent marketing effort, more than a dozen insurers refused to offer any quote for one of our developments, citing only “crime score” as the basis for their decisions.

These practices raise critical concerns regarding disparate treatment and disparate impact:

- Disparate treatment, when properties serving low-income residents or individuals of protected classes are explicitly or implicitly excluded.
- Disparate impact, when seemingly neutral underwriting metrics disproportionately harm communities of color and low-income neighborhoods even without intentional discrimination.

Unfortunately, in the current insurance environment, both effects are being produced.

IV. Media Misinformation and Outdated Content Used as Underwriting Evidence

Another deeply troubling trend is the incorporation of outdated, inaccurate, or one-sided media content into underwriting decisions. AHA has seen insurers rely on:

- a 2018 Boys & Girls Club video filmed in a building that has since been demolished and redeveloped,
- obsolete program descriptions that no longer reflect current operations or services, and
- local news stories that did not seek comment or clarification from AHA and that presented incomplete or misleading portrayals of our properties.

Insurers rarely verify the accuracy or relevance of this online information, nor do they provide AHA with an opportunity to dispute or contextualize it before using it to assess risk.

Consequently, properties may be wrongly classified as “high-risk” based on narratives that have no connection to present day conditions.

V. Misclassification of Public Housing as “Shelters” Due to ESSHI Units

A recent and particularly damaging development is the misclassification of AHA housing as “shelter” facilities due to the presence of Empire State Supportive Housing Initiative (ESSHI) units.

Following a ribbon cutting event for an 88-unit revitalization project, which included ESSHI units and was publicly described in a press release issued by New York State Homes and Community Renewal, an insurer that initially offered a quote for \$10 million in excess liability coverage withdrew its offer. The insurer stated:

“The on-site services described online resemble a social services organization. When combined with the occupancy, it is close enough to a shelter to fall outside of our appetite.”

This determination was based solely on the state’s press release and program description not the actual operations of the development. ESSHI units provide supportive housing, not shelter beds. These units are integrated into permanent, well-managed residential communities. More importantly, the insurer does not allow for a rebuttable showing that the shelter designation is inaccurate, meaning there is no mechanism to correct this misclassification based on the true nature of the development.

The withdrawn quote nullified a projected premium of approximately \$150,000, with a potential variance of \$10,000. This misclassification is factually inaccurate and discriminatory in effect. It further reduces the already limited insurance market available to housing authorities.

VI. External Market Pressures, Including Nuclear Verdicts

The challenges described above are compounded by national industry pressures such as nuclear verdicts exceptionally large liability awards that have prompted carriers to reduce their exposure in urban markets or withdraw entirely. Although these verdicts are rare, the insurance industry's response to them has been broad and severe, worsening market instability and disproportionately impacting affordable housing.

These combined factors, a reliance on flawed algorithms, incorporation of outdated online information, shrinkage of available carriers, and market-wide reactions to nuclear verdicts have produced a perfect storm for housing authorities.

VII. Consequences for Residents and Communities

The consequences of these insurance challenges are direct and severe. They:

- strain operating budgets,
- delay necessary capital improvements,
- hinder our ability to finance new development, and
- jeopardize long-term affordability for thousands of residents.

Ultimately, the burden falls on the families, seniors, and individuals who rely on stable, safe, and affordable housing.

VIII. Recommendations and Policy Actions Needed

To restore fairness, transparency, and stability in the insurance market, AHA respectfully submits the following recommendations:

1. **Require transparency** from insurers regarding the use of crime scores, algorithms, and third-party data sources.
2. **Ensure accountability** for underwriting practices that produce unlawful disparate treatment or disparate impact, and provide a clear process for applicants to rebut any determinations with evidence reflecting the actual facts of the property, occupancy or operations..

3. **Mandate property-specific underwriting**, prohibiting reliance on outdated media, online content, or generalized neighborhood data.
4. **Promote competition** in the market to prevent excessive pricing power among the limited carriers willing to provide coverage.
5. **Recognize and credit public housing authorities** for documented investments in safety, security, management practices, and community stabilization.

IX. Conclusion

The Albany Housing Authority is committed to providing safe, affordable, and equitable housing for the residents of Albany. However, opaque underwriting practices, widespread misclassification, outdated data sources, and rapidly escalating premiums threaten our ability to fulfill this mission.

We are grateful to Senator Kavanagh, Senator Skoufis, Senator Bailey, and all members of your committees for examining these issues and for your leadership in seeking solutions that promote stable, accessible, and equitable insurance coverage for New Yorkers.

Thank you for your consideration and for your commitment to supporting the stability and future of affordable housing across the state.