



The Building & Realty Institute
of the Hudson Valley

**Written testimony for the Senate Committees on Investigations and
Government Operations, Insurance, and Housing, Construction, and
Community Development**

Cost and Availability of Insurance for Residential Property

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Good afternoon. My name is Tim Foley, CEO at The Building & Realty Institute (BRI) of the Hudson Valley. We are a real estate trade association whose members are primarily located in Westchester, Rockland, and Putnam Counties. Our members on the building side include homebuilders; residential and mixed-use developers, including both affordable and market-rate housing; remodelers; and contractors. On the realty side, our members are those who own or operate existing multifamily, including property owners for rent-stabilized, affordable, market-rate, and supportive housing, as well as co-op and condo boards and managing agents. Housing is the connective tissue for all of our different types of members, and that provides our association a wide-angle lens in terms of trends in the residential multifamily housing market.

From that vantage point, no matter where we look in terms of the cost of insurance for residential properties, the story has been the same: sticker shock, pure and simple.

We have seen substantial renewal increases across the board for the last two years for nearly all housing types. Double digit increases are common. In the most extreme cases, those involving High Limit Umbrella Liability policies of \$10 million or above, the increase in costs combined with the paucity of carriers has led to unbelievable increases of 100-200%. Although increases are on the rise for everyone, it is being felt most painfully in older housing stock which, unsurprisingly, is most susceptible to financial distress: co-ops, rent stabilized buildings, and subsidized affordable housing.

It is clear in the property owners' survey data prepared each year by the Department of Homes and Community Renewal for use by each county's Rent Guidelines Boards. In the most recent reports covering reported costs from 2023-2024, Westchester property owners reported a 22.5% increase in insurance costs over 2 years, Nassau reported 25.1%, and Rockland reported an eye-popping 67.2%. No other category of costs even came close to that level of explosive growth.

It is clear in the March 2024 report by the New York Housing Conference, "The Alarming Risk of Rising Insurance Costs for Affordable Housing," which found, "The average cost to insure an affordable apartment is \$1,770. This is a 103% increase from 4 years ago when the average annual per unit premium was \$869." The report also elaborated on the disparity between new

construction, mixed income, and affordable. Although all three categories showed an increase in insurance premiums over that time, the variations were stark: the per month per unit insurance cost for new construction was \$58, but it was \$78 for mixed-income, and between \$147.50 to \$257 for affordable or older housing stock.

It is clear in ANHD's recent report, "Preserving the Foundation: The Crisis Facing New York City's Affordable Housing." They found that the rise in insurance premiums, utility costs, and maintenance costs were the primary factors in the staggering number of affordable homes reporting annual gross expenses per square foot equal to or exceeding their net operating income per square foot. Specifically, they found, "Insurance, meanwhile, has been the fastest growing category, with double-digit annual increases in multiple years—such as +16.5% in 2020, +21.7% in 2024, and +18.7% in 2025."

It is clear in Enterprise Community Partner's issue brief, "Distress in New York's Affordable Housing Stock" which found that insurance had risen 110% since 2017, more than double any other expense line item. And it is clear in Community Preservation Corporation's data brief on their NYC Rent-Regulated Portfolio 2020-2024, which found the cumulative increase in property insurance per unit over those four years was +52%.

The BRI regularly hosts programs and events with our co-op, condo, and landlord members about how to deal with the rising cost of insurance. Given the current state of the market, our advice has lately offered cold comfort. If your insurer gives a list of suggested changes to the property, do not take those as suggestions – make sure you've done all of them before it's time to renew or expect a very expensive increase. Even then, expect a much higher increase than you've seen before. By all means, we advise them, look around and compare prices with different carriers, but be prepared to potentially accept an outrageous renewal quote from your existing carrier – it may indeed be the best on the market.

Although the state has taken action to crack down on insurance discrimination against affordable housing properties as part of the FY 2025 budget, including prohibiting insurers from denying or increasing premiums for properties based on the presence of affordable housing units, the source of tenants' income, or other affordability-related factors, there are many other non-discriminatory factors that contribute to higher premiums for these buildings, most notably age, that are not as easy to solve.

From discussions with insurance brokers and directly with carriers as well as looking at the nationwide policy literature, the reasons for this mounting crisis are obvious.

The number of extreme weather events have risen sharply with the onset of climate change. This is a national problem, not specific to New York. Between 2019 and 2022, U.S. catastrophic event claims rose by 32%, while property and casualty-related replacement costs increased by an average of 45%. New York has been fortunate to have relatively few catastrophic events on par with Superstorm Sandy or the Eaton Fire or Palisades Fire in Los Angeles over this time period, but so-called extreme weather events of larger than normal rainfall, high winds, flooding, and hurricanes have become more frequent and, with them, damages to buildings requiring insurance claims to repair or replace.

At the same time, replacement and repair costs have risen dramatically and consistently. Prior to the pandemic, lumber costs were both high and volatile. The post-pandemic disruption of supply chains and surge in inflation led to higher construction supply costs of all types. Now that inflation has subsided, we're seeing spikes in building production costs from the federally imposed tariffs, with many of them bizarrely focused specifically on building supplies, especially steel, aluminum, lumber, gypsum, kitchen cabinets, bathroom, vanities, and imported furniture. For these now more frequent repair and replacement claims, they are much more expensive to fulfill, driving up premiums further. Of course, anything requiring borrowing to finance repairs while awaiting insurance payouts is also more expensive because of stubbornly higher interest rates.

Particularly for affordable types of housing, including subsidized housing, rent-stabilized, and naturally affordable because of age co-ops, condos, and small size apartment buildings, the effect of the reinsurance market and the number of carriers operating in New York exacerbate and magnify these trends. Costs and premiums within the reinsurance market have increased for the same reasons as for primary insurance, leading to higher premiums for the ultimate customer—when they're able to find quality reinsurance plans at all. This has led to many insurers withdrawing from high-risk markets or high-risk building types entirely. The ones who are willing to provide insurance are more inclined to require many more exclusions as a cost-cutting measure for the consumer and risk-limiting measure for the insurer, particularly exclusions based on claims history, older construction, large wood-frame or joisted masonry, or any buildings with any history at all of deferred maintenance. The underlying property owner is in effect getting a higher cost, riskier product which may not be sufficient to repair or replace damage in the case of a catastrophe – truly the worse possible combination.

As has been discussed many times – and need not be belabored here – New York has some factors in its insurance markets that have tended over time to produce higher costs than in other states, including a lack of competition among carriers prompted in part by high payouts and state laws like the Scaffold Law that increase damages in the case of injury or other loss events, a pervasive culture of litigation and increasing incidents of fraud, particularly for staging of incidents on construction jobsites and other organized criminal fraud activities. For years and even decades, these have all increased insurance costs in New York, even compared to New Jersey and Connecticut. To be clear, these factors are generally not surging in the way extreme weather events and replacement costs are, but they have created a climate in which we have fewer carriers to help stabilize premiums through competition.

Although the trends are easy to spot, and the reasons for them are clear, the solutions are much more difficult. Our suggested policy solutions for the state to consider include the following:

1. We urgently need a **public or state-backed reinsurance program**, as that part of the insurance market is fundamentally broken for older housing stock and affordable housing. To immediately reduce risk, reduce costs, and improve terms for both subsidized affordable and naturally occurring affordable housing, we need a public-backed safety-net. We strongly recommend a State Excess Liability Fund. This could be limited to the most financially distressed properties or could be a much broader pool,

with the broadest pool offering the best protections for the insured as well as the taxpayers. But this level of intervention is clearly needed

2. We strongly recommend regulations or incentives for more **long-term contracts** for affordable and financially distressed properties. The challenge for these properties specifically is their income is restrained in relatively predictable patterns year over year, but their expenses are not. Repairs requiring major capital improvements tend to come without warning; major losses due to calamitous tenants who owe back rent, take a long time to evict, do major damage to the property, or all of the above are similarly impossible to predict. Utilities are notoriously difficult to project, particularly for heat. Insurance used to be one of the categories of expenses where a property owner with no or little claims history could be reassured of relatively modest and stable increases year over year. Those modest increases and that stability is clearly not coming back, so the next best thing is being able to engage in a longer-term contract for more predictability and planning, and more years in between getting socked by a major increase.
3. Since there is broad consensus that climate change and extreme weather events are the primary cause of the surge in claims and subsequently premiums, New York can offer some relief to homeowners and property owners by **reducing home insurance premiums for structures built to modern energy-efficient codes** or buildings that are renovated to meet **higher standards of home resiliency**. There is a model in existing law – Chapter 28, Article 23, Section 2346 allows for actuarially appropriate reductions in insurance premiums for homes that were constructed or retrofitted for hurricane resistant laminated glass windows and doors. A similar premium discount program for homes that are built or renovated to meet existing above-code standards that yield more energy-efficient and disaster-resistant homes could provide some insulation from cost increases while contributing in a small but important way to the underlying causes. We particularly recommend HUD’s Green Resilient Retrofit Program as a model for providing direct loans and grants for older properties when matched with an insurance program discount, and such existing standards as the National Green Building Standard Green +RESILIENCE Certification or the Insurance Institute for Business & Home Safety FORTIFIED standards.
4. Clearly better policy decisions will come from **increased transparency**. Although the trendlines are clear, the exact mechanisms that insurers use to balance risk and claims costs is still largely opaque to policymakers and the public. Part of the benefit of a public actor in the reinsurance market is the transparency into cost drivers that a state-created actor can provide, but additional reporting requirements, similar to what NYSIF requires for workers compensation safety groups, would improve our ability to manage further changes and crises in the residential housing market.

We appreciate the opportunity to share our perspective and commend your willingness to tackle a problem that is worsening the financial outlook for our most affordable housing options in the midst of a severe affordable housing shortage. Thank you for your time and your consideration.

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