

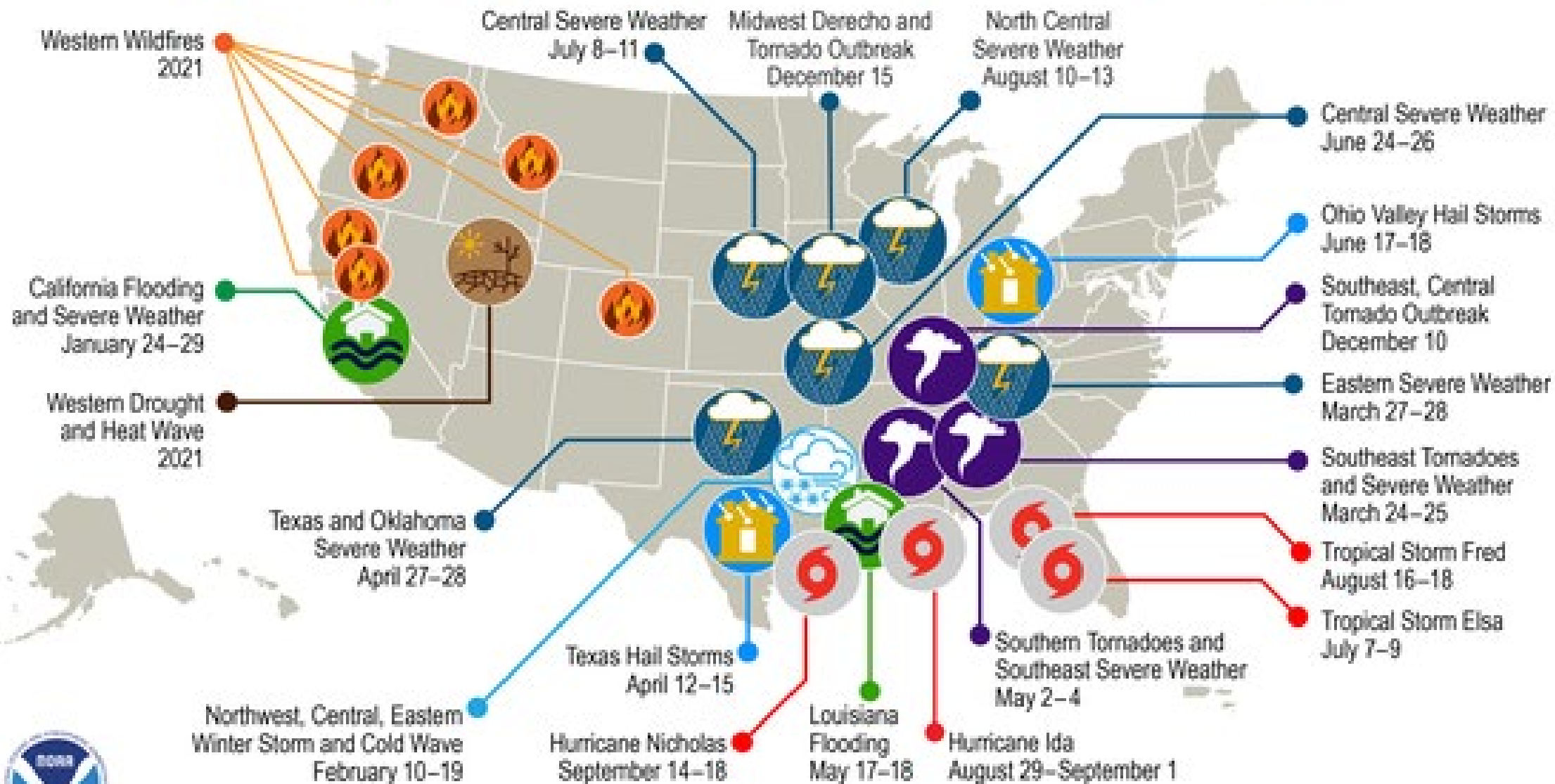
LINCOLN AVENUE COMMUNITIES

NHC Climate Impact Panel
December 2023



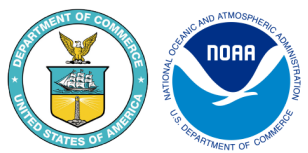
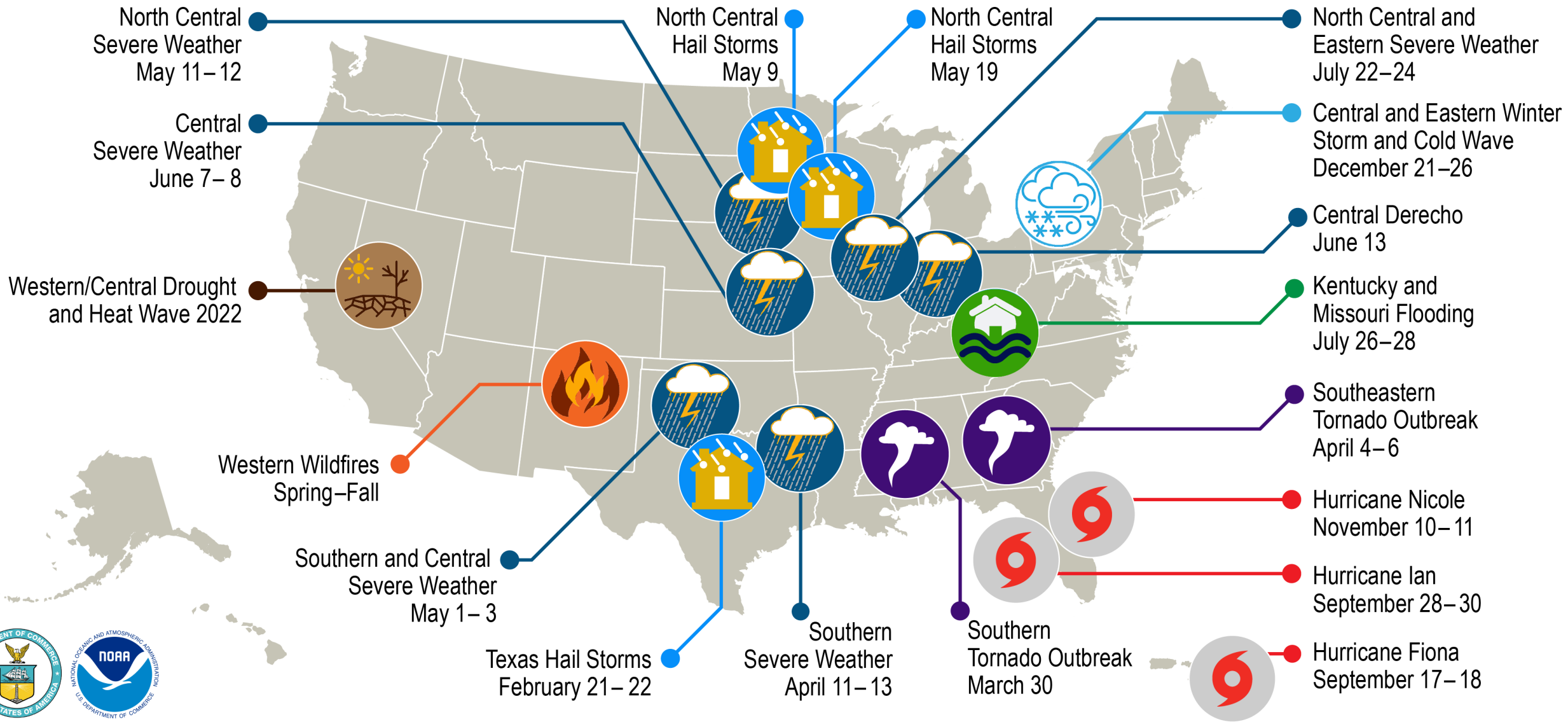
U.S. 2021 Billion-Dollar Weather and Climate Disasters

-  Drought/Heat Wave
-  Flooding
-  Hail
-  Hurricane
-  Tornado Outbreak
-  Severe Weather
-  Wildfire
-  Winter Storm/Cold Wave



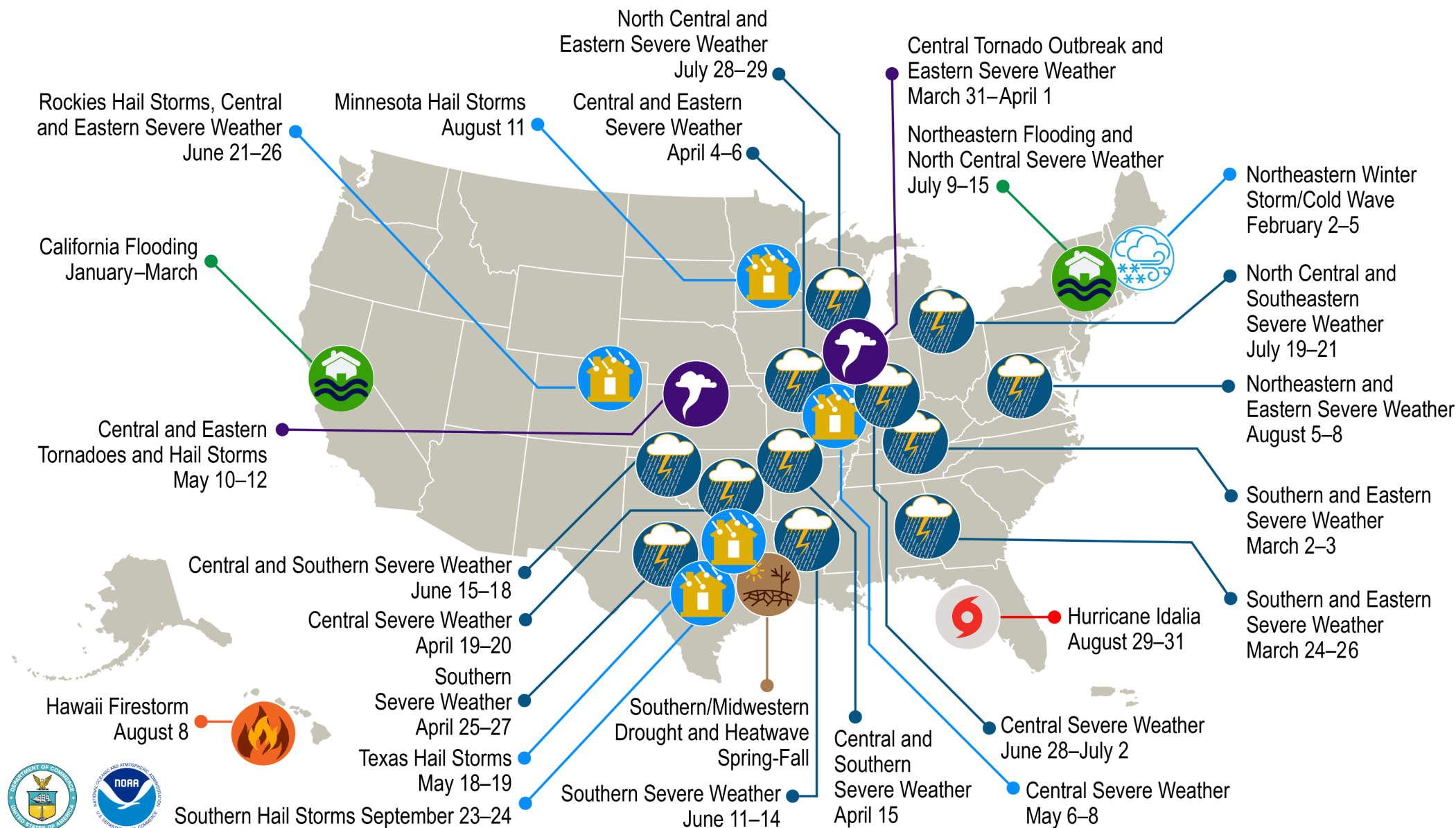
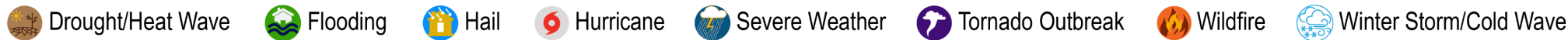
This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States in 2021

U.S. 2022 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.

U.S. 2023 Billion-Dollar Weather and Climate Disasters

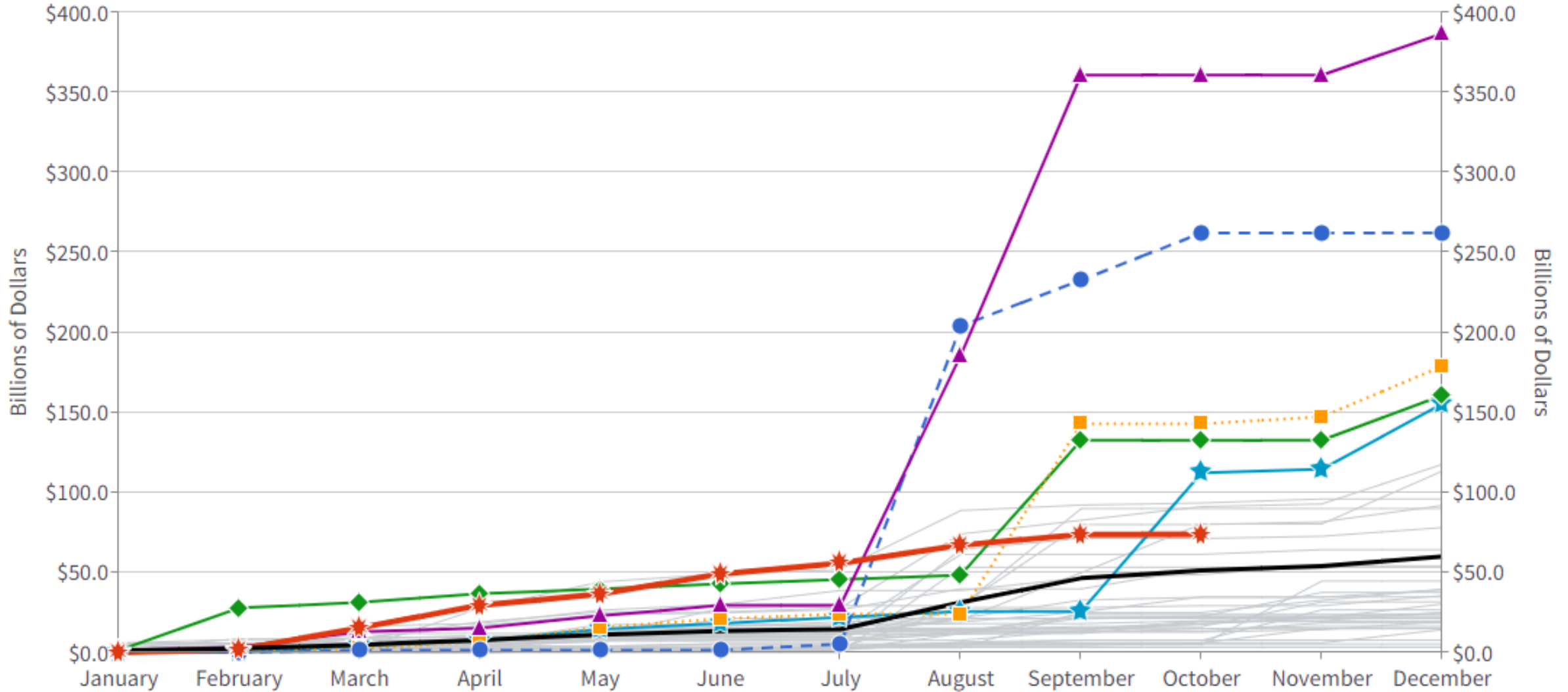


This map denotes the approximate location for each of the 25 separate billion-dollar weather and climate disasters that impacted the United States through October 2023.

1980-2023 United States Billion-Dollar Disaster Year-to-Date Event Cost (CPI-Adjusted)

Close

★ 2012 (\$155.3B)
◆ 2021 (\$160.6B)
■ 2022 (\$178.8B)
● 2005 (\$262.2B)
▲ 2017 (\$386.7B)
★ 2023 (\$73.8B)
— Average (\$59.9B)

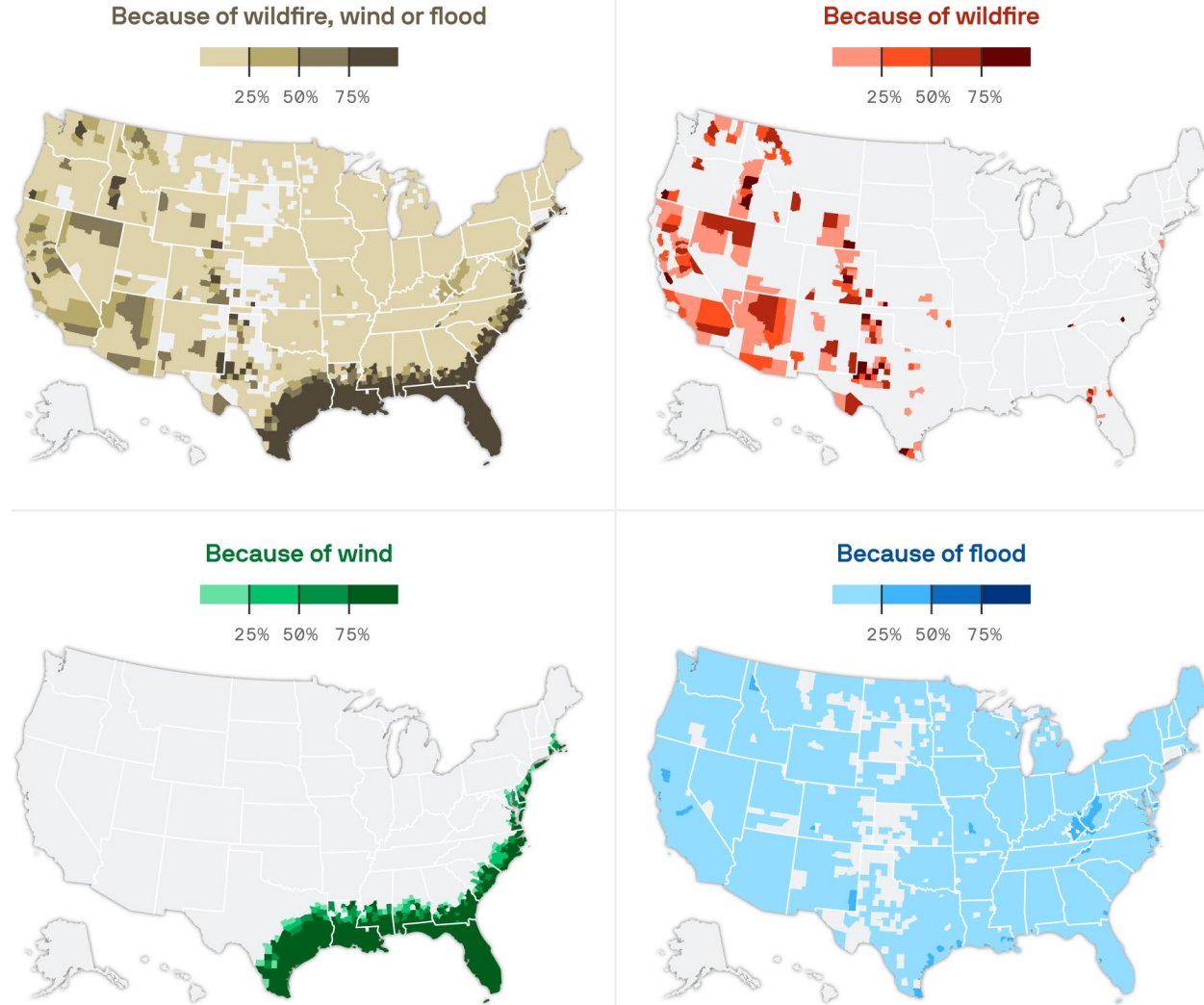


Updated: November 8, 2023

Event statistics are added according to the date on which they ended.

Share of properties at risk of an insurance rate increase or non-renewal, 2023

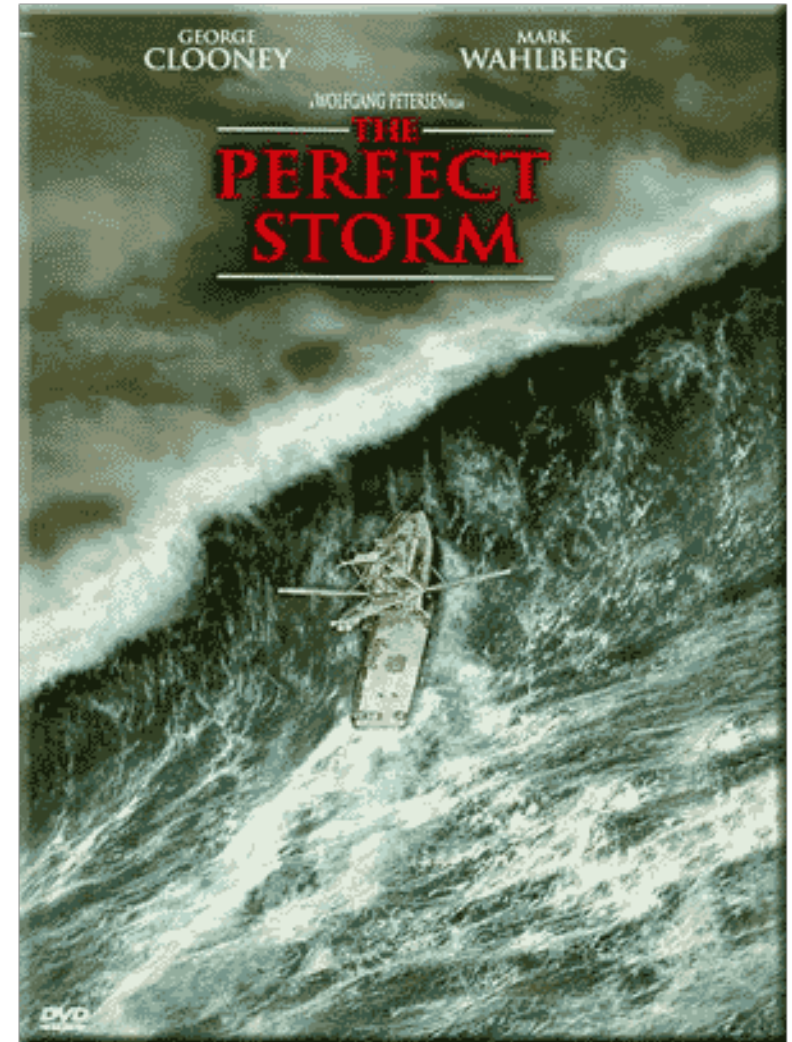
Estimated; By county No properties affected or no data



A significant number of U.S. homes are facing higher insurance rates due to flood risk

Perfect Storm of Circumstances

- Increase in Extreme Weather Events
 - Rising Claims Amounts
 - Increased Frequency
- Construction Costs + Supply Chain → Increase in Total Insurable Values (TIVs)
- Inflation + Interest Rates
- Declining Insurance Company Investments/Profitability
- Less Competition in the Marketplace
 - Insurance Company Failures
 - Global Overconcentration of Claims and Insurable Risk in US
- Crime Scores, Redlining & Discrimination
- Litigation Funding Industry + Judicial Hell Holes + AI Plaintiff Attorney Tools → Large Settlements, Jury Awards & Attorney Fees

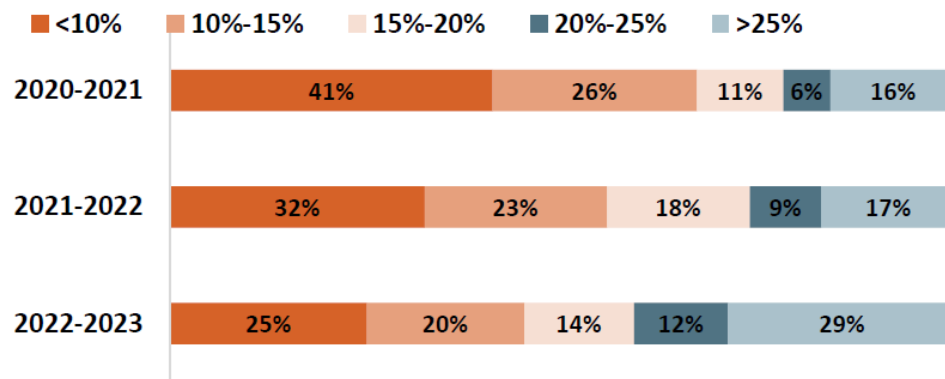


Cover of DVD, *The Perfect Storm*

Housing Provider Survey Highlights

Premium hikes exceeding 25% are increasingly common in 2023

Premium hikes over time by percent increase



33%
Of policy renewals in 2023 resulted in less coverage than the prior year

67%
Of insurers cited limited markets as reason to increase rates

93%
Of housing providers indicate they plan to take action to manage costs

Overview

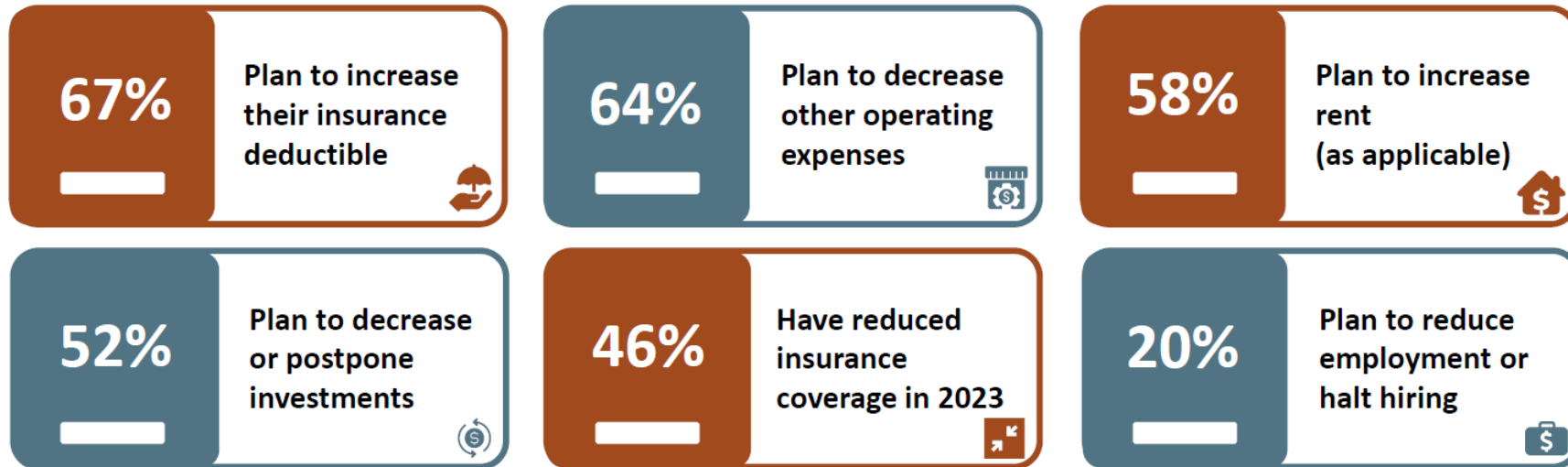
- Premiums are increasing across all lines of insurance. For 2022-23 renewals, nearly one in every three policies had rate increases of 25% or more
- The magnitude of rate increases is higher than in prior years. For 2020-21 and 2021-22 renewals, 16% and 17% of policies increased by 25% or more, respectively
- Within 2022-23 renewals, commercial property policies had the steepest increase in rates compared to the prior year

Data and analysis courtesy of Nam D. Pham and Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," National Leased Housing Association and NDP Analytics, October 2023.



Housing Provider Survey Highlights

93% of housing providers plan to take action to manage increased costs



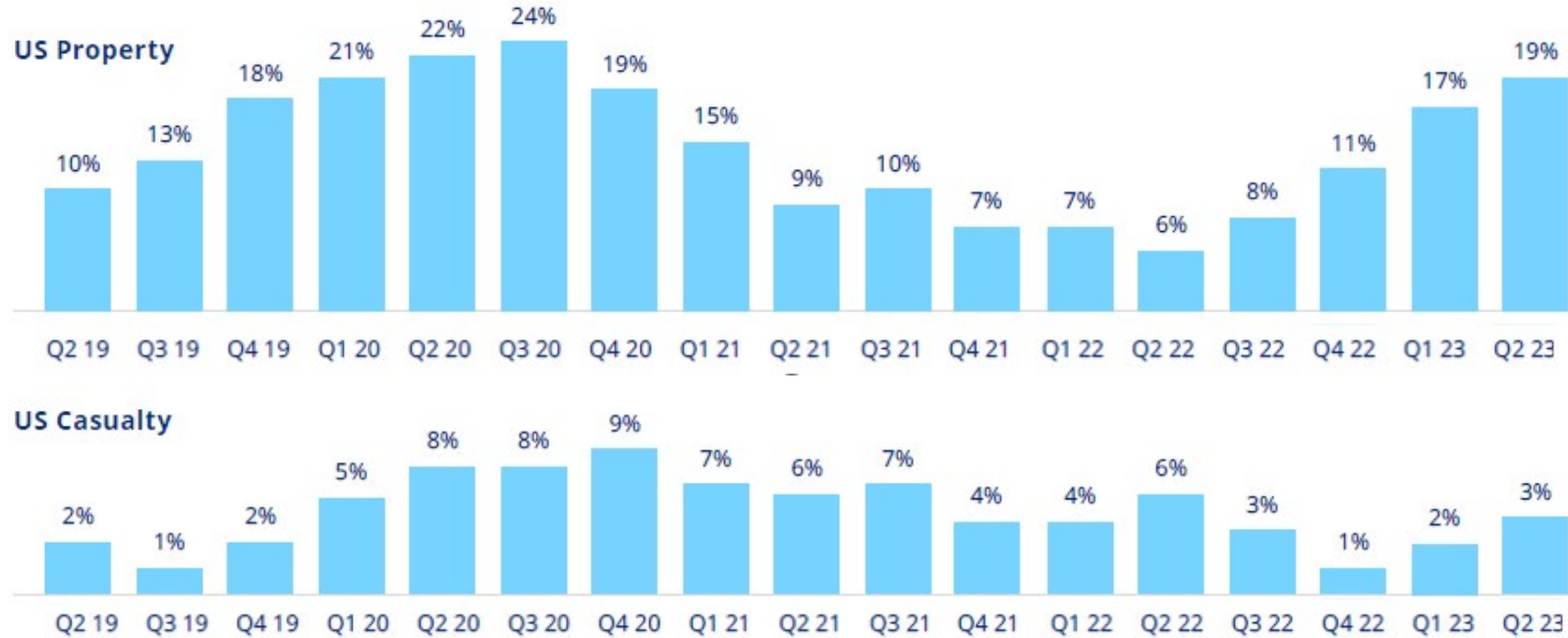
Data and analysis courtesy of Nam D. Pham and Mary Donovan, "Increased Insurance Costs for Affordable Housing Providers," National Leased Housing Association and NDP Analytics, October 2023.



NMHC.ORG



05| US composite insurance pricing change — by major coverage line

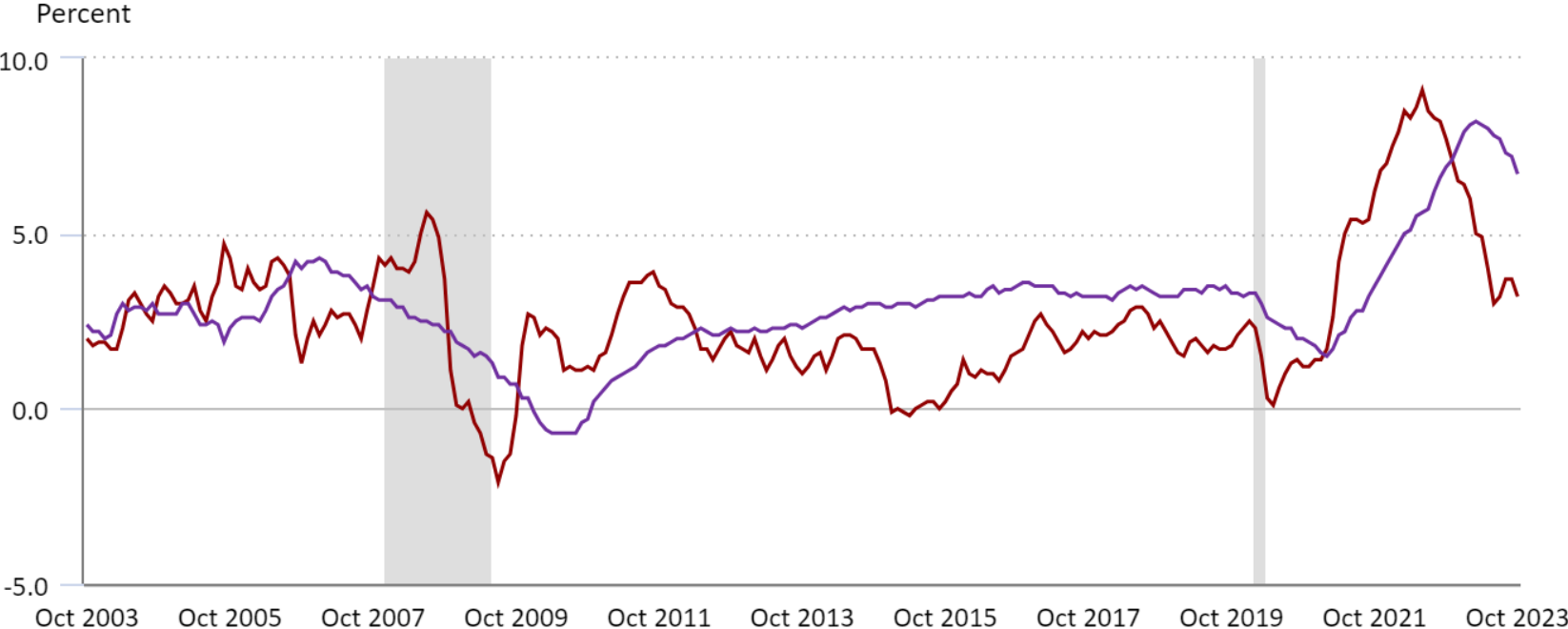


Source: Marsh, Global insurance market index, Q2 2023

Year	OCAF (national average)	AAF (national regions average, highest cost utility excluded)
2024	5.3%	TBD (update in March)
2023	6.1%	3.59%
2022	3.1%	3.33%
2021	2.5%	2.7%
2020	2.2%	2.2%

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and energy com...
- New vehicles
- Services less energy services
- Medical care services



Source: U.S. Bureau of Labor Statistics.



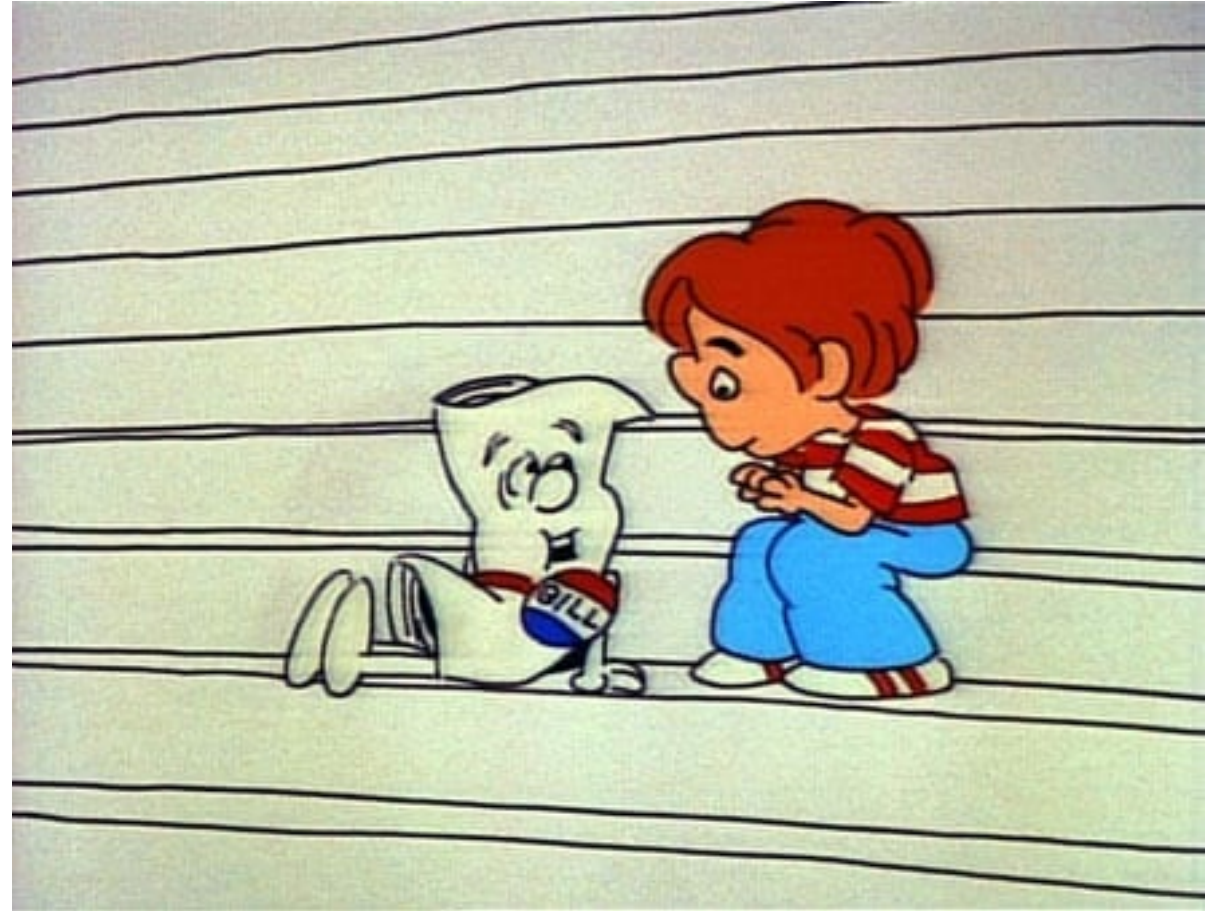
Hard Truths & Consequences

- Reduces Affordability in Subsidized and Conventional Markets
- Capital Transactions & Development
 - Reduces Leverage
 - Increases Costs
 - Delays Closings
- Existing Portfolio
 - Declining Revenue
 - Deferred Maintenance
 - Reduced Services
 - Potential for Technical Defaults
 - Opt-Outs



Potential Legislative Solutions

- Federal Back Stop Models & Precedents
 - TRIA
 - NFIP
 - Wrap from GSE / FHA / USDA Guarantor
 - Crop Insurance Model
 - Fair Access to Insurance Requirements (FAIR) Plans
 - Catastrophic Loss Draw Down Facility
 - Global Examples: Germany, France, Italy, Spain
 - Treasury Dept Recently Called for Federal Backstop for Cyber Insurance
- Tort Reform / Premises Liability Reform
- CRA for Insurers & Reinsurers
- Incentivize the Creation of a Domestic Reinsurance Marketplace
- Other Tax Incentives / Price Supports
- Direct Subsidies / Appropriations



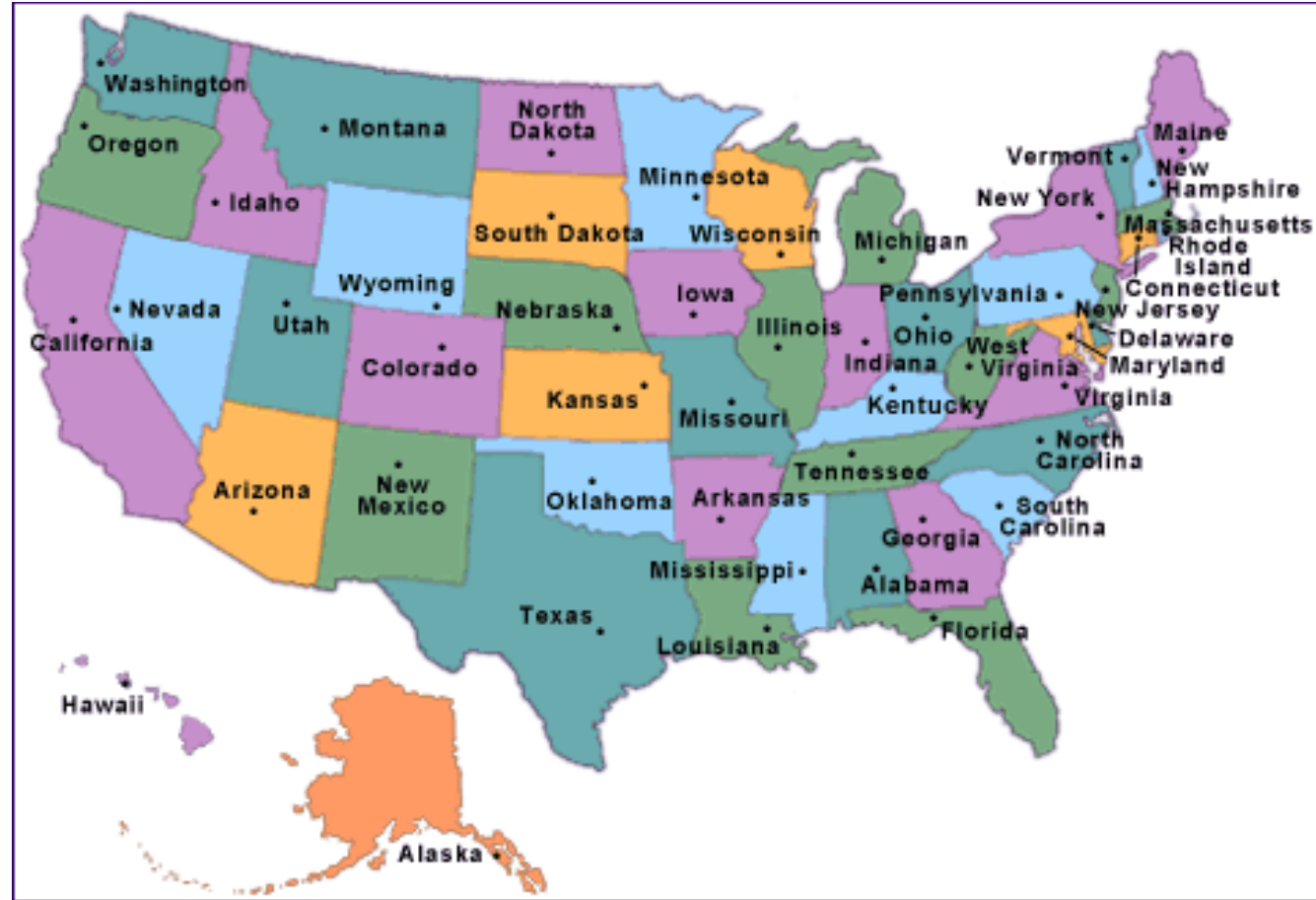
Bridging to a Structural Solution: Potential Administrative Actions

- HUD PD&R
 - Revise Income Limits Caps
 - True Up OCAFs
- Update/Revisit Agency Lender Insurance Requirements
 - Deductibles
 - Captives
 - Valuation Methodologies / Modeling
- LIHTC Basis Issues/Opportunities – HFAs
- FHFA
 - Duty To Serve
 - Affordable Housing Goals
 - FHLB / AHP
 - Product Innovation
- Reprioritize Existing Federal Grants & Resources
 - ARPA/SLFRF
 - CDBG
 - Weatherization Assistance Program
 - FEMA Flood Risk Mitigation Grants
- Fair Housing
- Data Aggregation



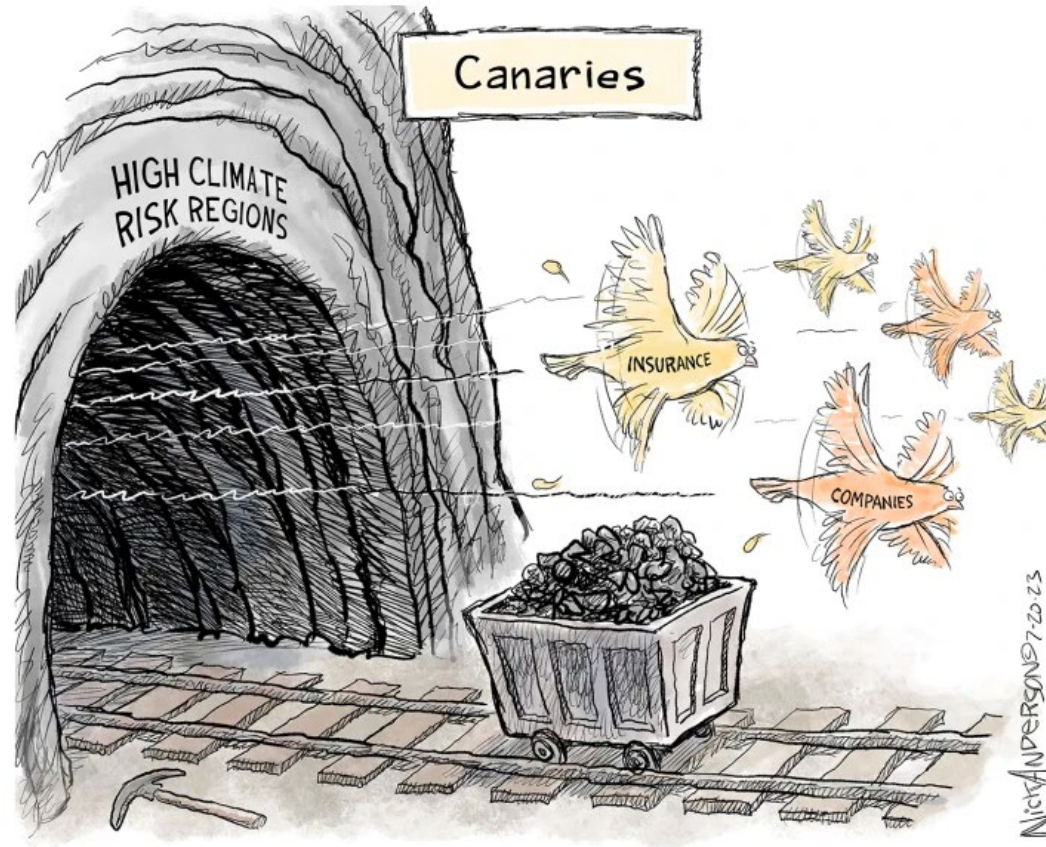
State & Local Work Streams

- Tort Reform / Premises Liability Reform
- Source of Income Discrimination Legislation
- FAIR Plan Expansion
- State Insurance Commissioner Outreach
- QAP Opportunities & Issues



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Questions?



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Insurance Schematic

