

Addressing New York's Residential Insurance Crisis

New York State Senator Brian Kavanagh
Chair, Committee on Housing, Construction
and Community Development

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Current Outlook

\$3,533

Average NY homeowner premium in 2023, 43% higher than in 2020

NYT / National Bureau of Economic Research

103%

Rise in cost to insure a single affordable housing unit, 2019-2023

New York Housing Conference, 2024

~ 500,000

Number of NY homeowners (roughly 5%) that are simply uninsured

City & State NY

Nationwide, insurance costs have increased by more than 110% as an operating expense for housing providers since 2017. New York ranks second nationally for average residential rates. Non-renewals have more than doubled in Manhattan and on Long Island since 2018. Excess line policies have surged as homeowners are pushed out of the regulated market.

New York's Regulatory System

Under the Acting Superintendent Kaitlin Asrow, the NY Department of Financial Services (DFS) oversees **nearly 2,000 insurance institutions**, with assets of **\$6.4 trillion**. Since insurance is overseen primarily at the state level, DFS regulates solvency, rates, and policies for admitted P&C and liability insurers.



Proposed Explanations for Rising Costs

1

Climate-Driven Losses

Superstorm Sandy produced \$25B in insured losses. Figures from NOAA attribute highest costs to flash flooding (\$2.5B), flooding (\$1.2B), thunderstorm wind (\$294M), and high wind (\$228M). Nationally, insured losses from natural disasters approach \$100B/year.

Office of NY State Comptroller

2

Construction Costs & Supply Chain Issues

Inflation in construction materials and labor has driven up replacement costs and claim payouts, a major driver of increasing premiums in every state, even with low climate exposure.

U.S. Treasury, 2025

3

Reinsurance & Modeling

Global reinsurance costs have surged as insurers absorb climate losses nationwide. Catastrophe models are being updated to reflect new risk estimates. These proprietary models lack transparency for regulators and consumers.

NAMIC

4

Litigation & Liability Factors

Industry argues that third-party litigation funding (TPLF), rising liability exposure, fraud, and the expectation for more frequent and larger jury awards (social inflation) are driving up costs, but have NOT provided data substantiating these claims.

APCIA testimony

Investigation, Hearing, and Forthcoming Report

- **Co-Conveners:**
 - **Sen. Brian Kavanaugh** | Chair, Committee on Housing, Construction & Community Development | Manhattan
 - **Sen. James Skoufis** | Chair, Committee on Investigations & Government Operations | Hudson Valley & Orange County
 - **Sen. Jamaal Bailey** | Chair, Committee on Insurance | Bronx & Westchester County
- **Scope:** All property -related insurance products for all residential properties
- **Process:** Document and data review requests, stakeholder meetings, public hearing. Insurers refused to testify on the record.

Stakeholders

Government Agencies

NYS Department of Financial Services (DFS), NYS Homes & Community Renewal (HCR), NYC Dept. of Housing Preservation & Development (HPD)

Insurance Industry

APCIA, NYIA, State Farm, Allstate, Travelers, Chubb, AIG, NY Central Mutual, NY Property Insurance Underwriting Association (NYPIUA/FAIR Plan), Milford Street Insurance Association

Experts, Consumer Groups, Affordable Housing Advocates & Property Owners

Dave Jones (UC Berkeley/former CA Insurance Commissioner), NRDC, REBNY, NY Housing Conference, NYSAFAH, Enterprise Community Partners, Climate Cabinet, Center for NYC Neighborhoods, Albany Housing Authority, Rural Advocates of NY, Consumer Reports



Perspectives: What Can We Do?

1. Transparency & Data

Policyholders purchase complex products whose terms they may struggle to understand, which are underwritten using proprietary algorithms that they do not have access to, and priced through models they have no option to review.

2. Consumer Protections

When claims arise or coverage is denied, consumers can lack the information necessary to challenge decisions effectively. When policies are not renewed, explanations provided are frequently inadequate to allow for appeal or enough time for market shopping.

3. Mitigation Incentives

Mitigation requires investment, and property owners need both financial support and assurance that their investments will be credited through premium reductions.

4. Rate & Market Oversight

Rates must be adequate to ensure market solvency and maintain market capacity, but they must also be fair to consumers and not excessive.

5. Regulatory Capacity & Statutory Reform

DFS faces an increasingly complex regulatory environment in insurance, as practices and models become more sophisticated and corporate structures and complaints from consumers become more convoluted.

6. Accountability

Models can also perpetuate bias, fail to credit risk reduction efforts, and operate as “black boxes” that resist public scrutiny or accountability.



Proposed Actions

1

Data and Transparency

Require all P&C insurers to submit zip -code -level data on rates, cancellations, and claims to DFS, plus catastrophe model disclosure. Create public access. Require plain-language risk score disclosure at renewal. Require reporting to DFS.

(S8583 Kavanagh)

2

Litigation and Liability Data

Require annual reporting by the Office of Court Administration on cases involving P&C insurers and their insureds which were settled, or where a judgement was reached, during the preceding year. Aim to provide clarity and transparency on the volume, duration, and resolution of property insurance cases moving through our court.

(S9277 Skoufis)

3

Tighter Regulations

Require homeowners insurers to refile rates with DFS if their loss ratio falls below a benchmark for two consecutive years. DFS will conduct a study to determine the appropriate ratio, ensuring insurers are not overcharging when claim payouts are low.

(S9008 TEDE Part CC)

4

Credit for Mitigation

Require insurers to offer discounted premiums to homeowners & commercial property owners who make certified safety improvements (fire prevention, security, roofing, water damage mitigation) meeting local and state building codes.

(S008 TEDE Part DD)

Mandate actuarially - appropriate premium reductions for property and community level mitigation. Includes risk score disclosure and appeal rights.

(S8583 Kavanagh)



Proposed Actions

5

Consumer Protection & Information

Require communication from insurers for cancellation or nonrenewal, increase by more than 10% over an expiring premium, reduction in coverage, or other unfavorable changes in terms of coverage.

(S7344 Bailey)

Require insurers to explain premium increases for consumers and to re-file rates with DFS

(S9008 TEDE Part BB and (S9281 Skoufis)

6

Discrimination Against Subsidized Housing

Prohibit insurance companies that cover real property containing affordable housing units from discrimination based on certain affordable housing factors by including cooperative housing in the list of entities that would be protected from discrimination and expanding the protections to liability policies.

(Enacted in 2024)

7

Fossil Fuel Industry Accountability

Establish frameworks for the Attorney General and insurers to recover costs from fossil fuel companies responsible for premium increases due to climate disasters.

(S8585 Kavanagh)

8

Captives & Self Insurance

\$5 million in expense funding in the FY 2025 -2026 Enacted State Budget to provide technical assistance to help nonprofit, affordable housing developers become ready to join an insurance captive.

(S3006C ELFA Part N)

→ Thank you!



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