

Insurance: The Silent Portfolio and Deal Killer in CRE

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The Problem

Insurance is now considered a capital expense and a key factor in determining a deal.

What once was a 3% underwriting placeholder has become a volatile, underwritten gating factor that can alter valuations, block financing, and threaten portfolio stability.

Professionals who stay ahead of this protect NOI, maintain price integrity, and keep capital flowing.

Those who don't risk losing millions across transactions and renewals.





The Problem

The Market

The Strategies

The Long View

What To Expect Today:

Premium Shocks
Translate Directly Into
Valuation Erosion

Why Lenders Are
Now Scrutinizing
Policy Structure

How Carrier Appetite
Is Shifting In Oregon
And Washington.

Seller-side
Preparation That
Stabilizes Price

Buyer-side Due
Diligence That Avoids
Last-minute Shocks

Portfolio Moves That
Limit Renewal Risk In
2026 And Beyond.

By The End Of This Session, You Should Be Able To:

- Quantify the impact of insurance changes on valuation at various cap rates.
- Anticipate conflicts between lenders and carriers that could disrupt financing.
- Recognize PNW-specific claim trends and risk indicators.
- Develop a pre-marketing insurance package that minimizes buyer uncertainty.
- Establish a quarterly insurance management routine that uses risk as an asset management tool.



The NOI Erosion: When A Line Item Becomes A Cap Rate Killer

- Insurance premiums have outpaced rent growth by a factor of three in many markets.
- A 100% premium increase on a \$100k property with a 5% cap rate results in \$2,000,000 in lost property value.
- The 'Silent Re-trade' isn't just theoretical; every dollar increase in permanent expenses results in a multiple loss in value.



A Deal Gone Sideways



Case Study; The Portland Multifamily Deal

Asset:

120-unit 1990s-built Multifamily in Washington County, OR.

Pro-Forma Buyer Insurance @ \$750/door \$90,000/year.

The "**Silent Killer**": 30 days before closing, the actual quote comes in.

The Quote: \$1,800/door \$216,000/year.

The Fallout: An unexpected \$126,000 hit to NOI.

The deal required a \$2.5M price reduction to hold the buyer's return.

The deal died.



Lessons Learned

Risk story matters: 1990s wood-frame, original roof, and polybutylene plumbing are red flags that trigger higher deductibles, ACV provisions, or outright appetite declines.

Sequence error: Engaging insurance post-contingency compresses carrier options and negotiating leverage; you inherit market timing and lose control.

Portfolio contagion: Non-renewals in specific construction types can ripple across holdings, potentially making carrier concentration a single point of failure.



Preventive tactics:

- **Pre-listing** insurance assessment with vendor quotes for roof replacement and plumbing remediation; incorporate into OM with credits or capex plans.
- **Water loss prevention:** Install smart water sensors and auto-shutoff valves; document these measures for underwriting purposes.
- **Broker strategy:** Assign a lead CRE specialist broker to coordinate all carrier approaches, maintaining market credibility and avoiding duplicate submissions that could lead to blocks.



Preventive tactics:

Financial Framing For Stakeholders:

- Show the seller that a \$400k roof project could unlock significantly better terms and preserve \$2-3 million in value at typical cap rates; compare that to the costs of a failed sale and 1031 fallout.

For Buyers

- Treat the premium difference as capital expenditure and model the IRR with and without mitigation to justify re-trades early or to walk away before deposits become firm.



The Carrier vs. The Lender





The Financing Fallout: When Coverage Collides with Credit

- Lenders are now evaluating your insurance. Carrier requirements often surpass lender criteria.
- New Lender Questions:
 - Is the carrier A-rated?
 - What are the wildfire and earthquake deductibles?
 - Is the coverage based on replacement cost or actual cash value?
- The outcome now depends on the policy structure, deductibles, special exclusions, and the quality of the carrier.
- The insurance underwriter has become as important as the loan underwriter because they are the party that funds the rebuild.

How To Align Insurance With Credit Requirements:

Early lender-carrier discussion:

- Share draft terms sheets and policy outlines to verify RCV, special perils, deductible structures, and co-insurance.

Documented mitigation commitments:

- Secure conditional RCV subject to roof replacement by a date specific; bake into loan covenants and draw schedules.

Third-party validations:

- Obtain engineering or roofing assessments to substantiate the transition from ACV to RCV and to reduce perceived moral hazard.





How To Align Insurance With Credit Requirements:

Documentation essentials for IC packets:

- Drafts of insurance certificates and specimen policy forms, including endorsements for ordinance or law, wildfire sublimits, water damage deductibles, S&B exclusions, and named insured structures across SPEs.
- Carrier financial strength letters and appetite statements to meet rating and reinsurance requirements.
- Loss runs and remediation logs demonstrating risk trend reversal after incidents.

How To Align Insurance With Credit Requirements:

Outcome:

By treating insurance like a core closing condition, you convert ambiguous policy language into hard requirements synchronized with the loan, replacing last-minute rejections with pre-approved, credit-consistent coverage.



The Market





Market Outlook Q4 2025 2026 Hard Market, New Shape

The Hard Market is Not Over. It's just changing.

Property:

- Expecting 15-25% increases, Catastrophe-Exposed
- 5-10% Clean.

General Liability:

- Up 5-10% Driven by "Social Inflation".

Umbrella/Excess:

- Up 20-40%. This is where the real pain lies.
- **The Market Is Bifurcated:**
 - "Good" risks get decent terms.
 - "Bad" risks are uninsurable.

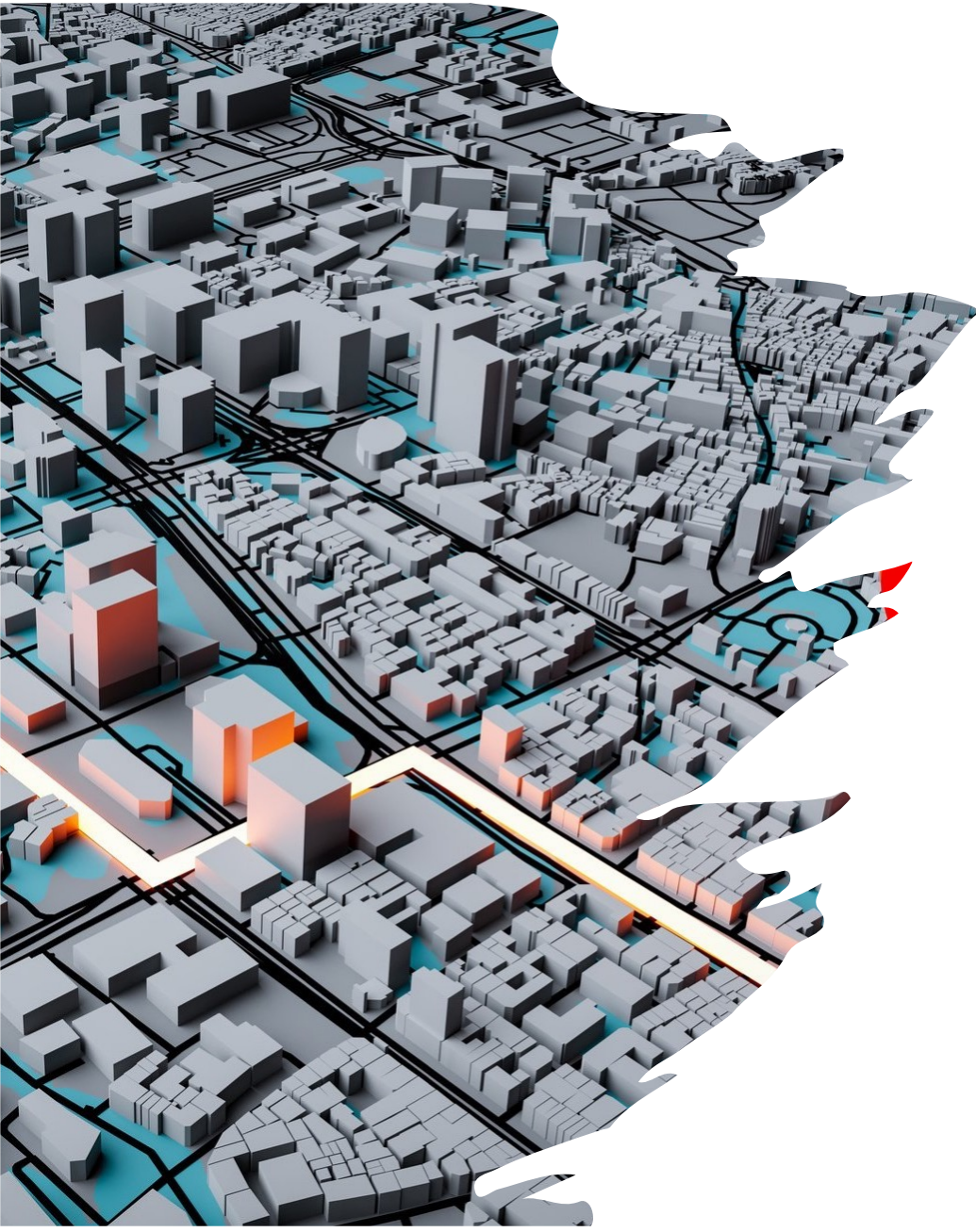
Market Outlook Q4 2025 2026 Hard Market, New Shape

Carriers are shifting from blanket pricing to surgical underwriting, deploying granular data on construction, protection, and exposure.

Appetite is volatile for older wood-frame and anything near WUI.

Clean steel/concrete with sprinklers in low-risk zones can still receive rational renewals, but expect tighter exclusions and higher deductibles.



A 3D architectural rendering of a city skyline, likely representing a coastal region like the Pacific Northwest. The buildings are shown in a light gray color. A prominent orange line highlights a specific corridor or area within the city, possibly indicating a high-risk or high-value zone. The background is a solid light blue.

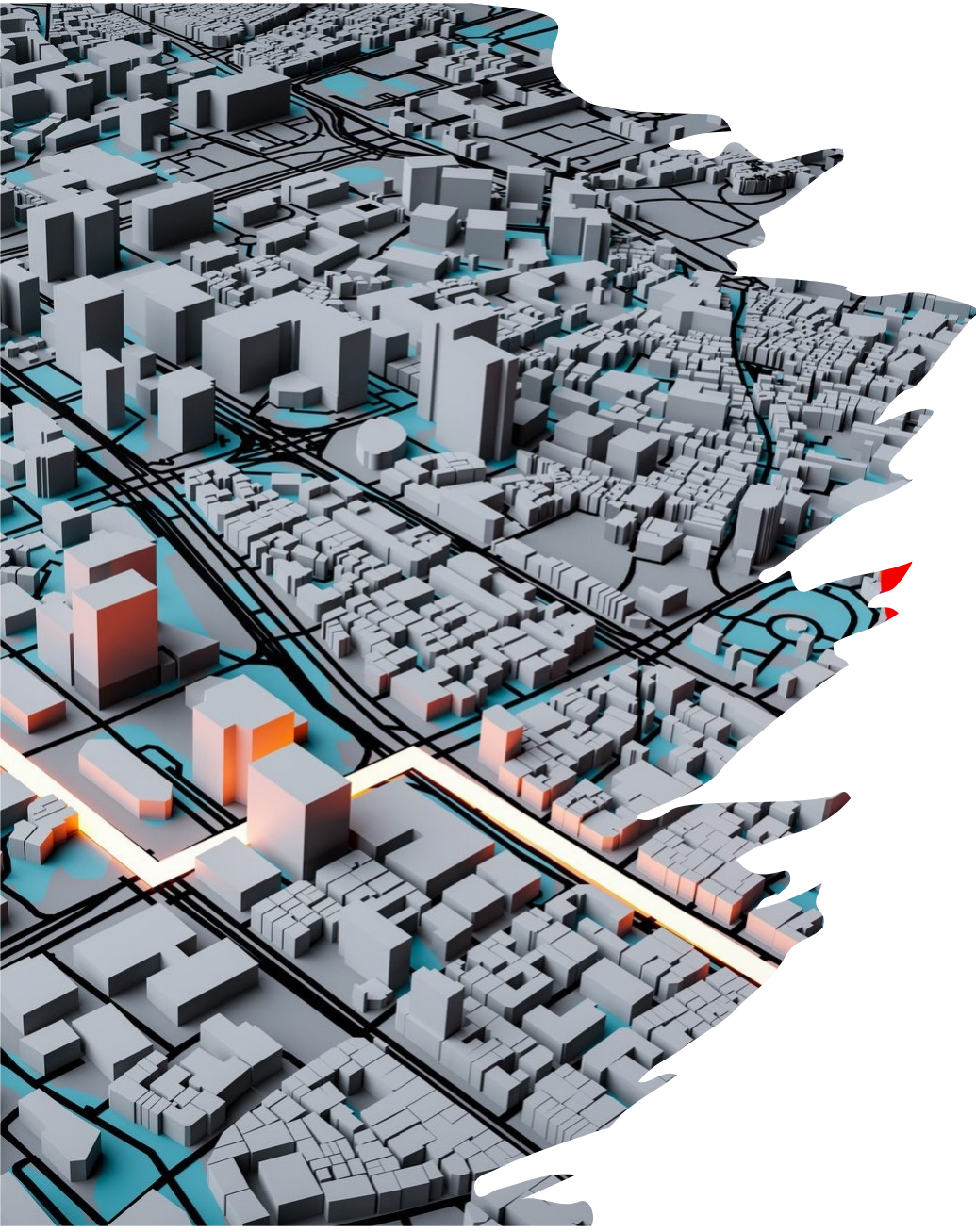
Carrier Appetite: What's Uninsurable in 2026?

Tough-to-Place Assets in OR/WA Wood-frame construction

- 20 years old.
- Roofs > 15 years old.
- Non-sprinklered buildings.
- Properties with polybutylene or galvanized plumbing.

Student or Low-Income Housing (high liability).

Anything with a "bad story" (e.g., high claims, deferred maintenance).

A 3D architectural rendering of a city skyline, viewed from an elevated perspective. The buildings are represented as grey rectangular blocks of varying heights. A network of black lines represents roads and highways. Several areas are highlighted with a light blue color, and a prominent orange-yellow line runs diagonally across the lower portion of the image. The overall shape of the city model is irregular, following a specific geographic area.

Carrier Appetite: What's Uninsurable in 2026?

Appetite is narrowing where **frequency** and **severity** coincide.

Aging systems

Combustible construction

Socially litigious tenant mixes.

Even if you obtain quotes, expect ACV limitations, high deductibles, exclusions, or sublimits that render coverage incompatible with lender terms.

How To Plan



What This Means For Planning:

Budget Bands: forecast property at 5-25% based on asset risk tier; set umbrella contingencies at 20-40%.

Deductible Strategy: higher water and wind deductibles are becoming the norm; consider captives or deductible buydowns if portfolio scale justifies.

Submission Quality: complete COPE data, recent inspections, mitigation photos, and vendor quotes materially improve outcomes; sloppy data costs basis points and sometimes entire quotes.



Process Change:

- Move insurance considerations to pre-LOI analysis with rapid data collection:
 - COPE data (Construction, Occupancy, Protection, Exposure), roof age, plumbing type, prior losses, proximity to WUI, water mitigation techniques, and security protocols.
- Establish quarterly insurance reviews with your broker to anticipate renewals six months in advance
- Align budgets and prioritize mitigation for Projects with the highest premium impact.



What This Means for Planning:

Capital Markets Alignment:

Integrate projected insurance movements into Debt Service Cash Ratio sensitivity and refi scenarios; rising umbrellas can affect the total coverage stack lenders require. Sequence significant capex (roofing, sprinklers, plumbing) to align with renewal windows, so completed work can be priced in terms.

Bottom Line: Plan for continued friction, design for predictability, and earn carrier confidence through documentation and mitigation. Good risks are still clear. Bad stories struggle to get on the board.



Pacific Northwest Claims



Trending Claims: The PNW Big 3

Water Damage: The #1 Frequency Claim: Burst pipes, leaking appliances, roof/window failures. Carrier Response: Massive increases in water damage deductibles (often \$25k–\$100k).

Wildfire: The #1 Underwriting Fear: Not just a rural Oregon problem. This impacts properties in Bend, Spokane, Medford, and even the hills around Portland and east of Seattle. Carrier Response: Using new satellite modeling, pulling back from entire ZIP codes.

Liability and Social Inflation: Slip-and-falls, tenant-on-tenant disputes, wrongful eviction. Carrier Response: Jury awards are massive

Social Inflation. Carriers are adding exclusions for assault & battery and tightening habitability standards.



Mitigation Priorities That Move Pricing:

Water: install leak detection and auto-shutoff systems; mandate steel-braided hoses; scheduled inspections for common area risers; maintain roof and sealants proactively.

Wildfire: create defensible space, clear brush, upgrade to Class A roofing, ember-resistant vents, and document annual maintenance cycles with photos.



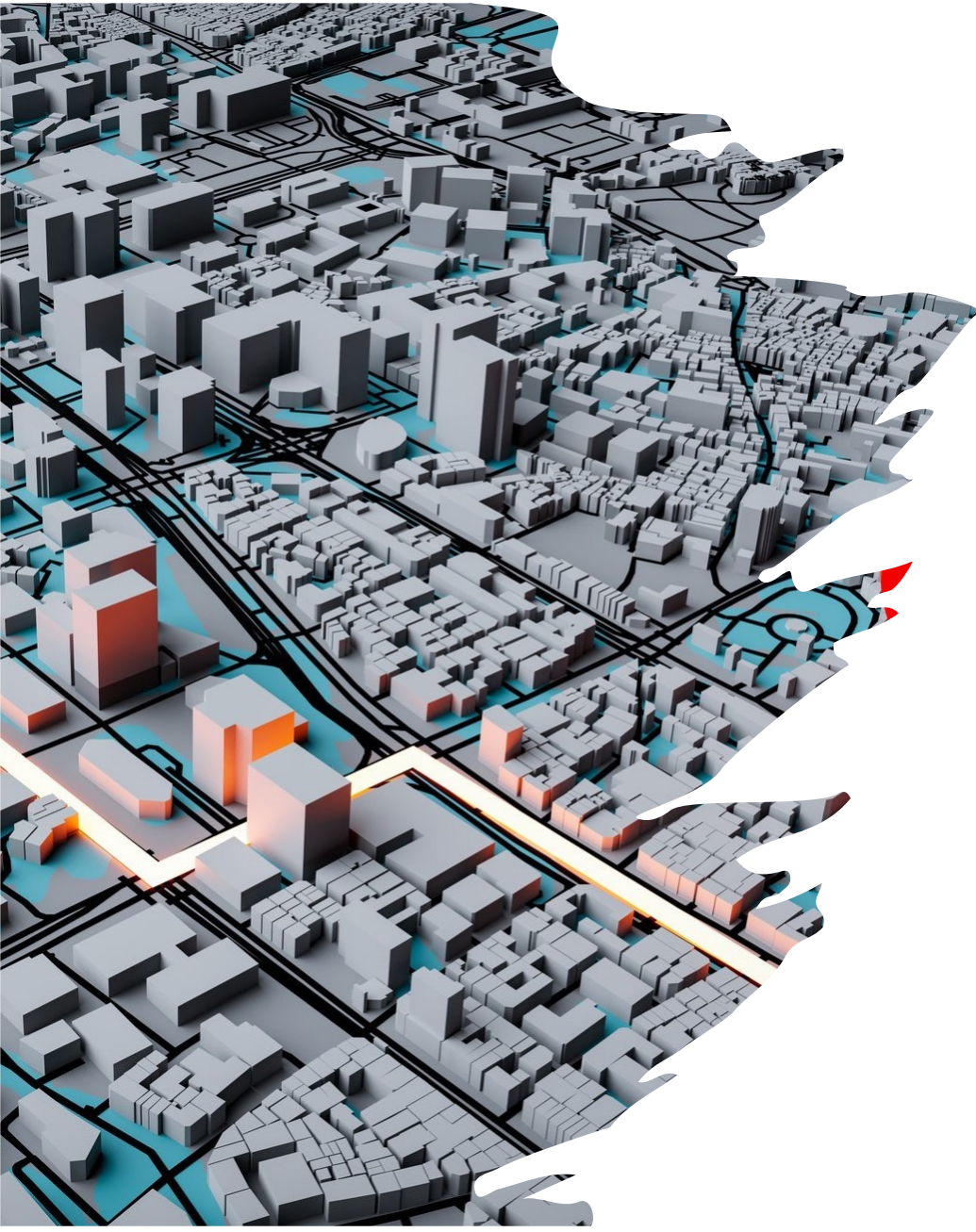
A photograph of three construction workers in high-visibility yellow and green safety gear working on a roof. The roof is covered with wooden planks, and a section of orange corrugated metal roofing is visible. The workers are positioned at different points along the roofline, with one worker in the foreground and two others further back. The background shows a clear blue sky.

Mitigation Priorities That Move Pricing:

Liability: improve lighting and cameras, formalize incident reporting, maintain walkway and stair standards, and tighten vendor contracts with proper insurance and indemnity.

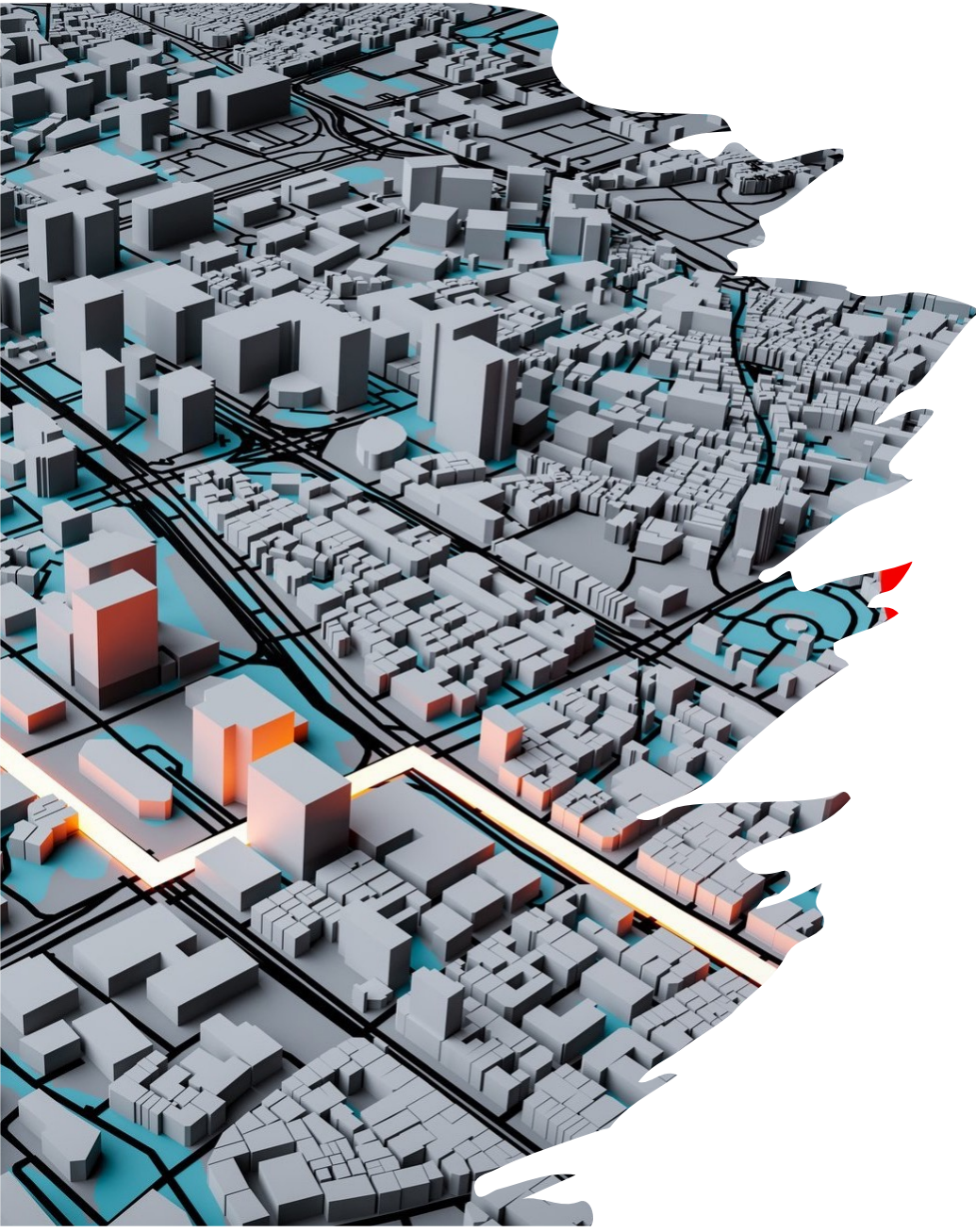
Underwriting narrative matters: Submit a clean, visual story—before/after photos, vendor receipts, policy manuals, and inspection results. Data-backed narratives help underwriters justify better terms to committees in a conservative environment.

Claims governance: Track frequency and severity monthly; close the loop on root causes; and share remediation results in renewal submissions. Consistency lowers perceived risk far more than isolated capital projects.

A 3D perspective view of a city model. The buildings are represented as grey blocks of varying heights. A network of black lines represents roads and highways. Several areas are highlighted in light blue, and a prominent path or boundary is highlighted in bright orange/yellow. The model is set against a white background.

Actionable next steps for hard assets:

- **Pre-inspect:** Commission roof, plumbing, and life-safety assessments;
- Translate findings into an improvement plan with costs and timelines.
- **Stage the narrative:** show completed fixes first, then near-term commitments; seek quotes contingent on milestones to narrow variance.
- **Consolidate relationships:** align with carriers who will write multiple assets and reward portfolio-level improvements with better umbrella access.



If You Must Transact With A Tough Profile

- **Price the risk honestly.**
- **Escrow for specified upgrades** and align the loan's conditions precedent with the carrier's binding conditions.
- **For some assets in certain ZIPs,** the rational choice may be to delay marketing until key mitigations are complete.
- **Remember:** Appetite constraints are not personal; they're a function of reinsurance costs, modeled catastrophe exposure, and social inflation. Your leverage is superior data, mitigation, and timing.

Control The Narrative



Rethinking The Transaction: Control The Insurance Narrative

- You must control the insurance narrative.
- Stop treating insurance as a "buyer problem" at closing.
- Start treating insurance as a "seller asset" at listing.
- When insurance is invisible until the eleventh hour, you invite shocks. **When it is packaged, priced, and conditioned at listing**, you transform a risk into a competitive advantage that widens your buyer pool and streamlines lender approvals.



What Controlling The Narrative Looks Like:

- Pre-marketing insurance file with COPE, loss runs, mitigation photos, vendor quotes, and draft terms from a credible carrier—positioned as transferable or easily replicable.
- Transparent acknowledgment of issues (e.g., roof age) plus priced solutions; offer credits or escrow rather than hoping underwriting doesn't notice.
- Coordinated messaging among seller, listing broker, and insurance broker so all buyers receive the same risk information and path to coverage.



A person in a dark suit is holding a tablet. Overlaid on the tablet is a white-bordered box titled 'Policies' in a large, bold, sans-serif font. Below the title is a checklist with four items, each consisting of a circular checkbox with a checkmark and several horizontal lines representing text. A hand is visible, holding a white pen and pointing at the second item in the checklist. In the background, there are blurred images of other documents and a laptop, suggesting a professional office environment.

What Controlling The Narrative Looks Like:

- Transaction velocity benefits:
 - Reduces buyer diligence time on insurance, allowing for a greater focus on operations and financing.
 - Limits last-minute re-trades by narrowing premium variance bands.
 - Enhances lender confidence by demonstrating that the policy structure aligns with loan requirements from the outset.

A person in a dark suit is holding a tablet. Overlaid on the image is a white-outlined box titled 'Policies' containing a checklist with four items, each preceded by a checkmark. The person's hand is visible, holding a pen and pointing at the second item on the list. In the background, there are blurred documents and a laptop.

Operationalizing This Approach:

- Add an insurance-readiness checklist to your listing-prep SOP.
- Schedule an insurance strategy call at LOI for buyers, including the lender and insurance broker, to pre-clear coverage expectations, deductibles, and ordinance or law requirements.
- Track which mitigations deliver the most significant premium improvement per dollar and prioritize them before going to market.

Seller Strategies: The "Pre-Marketing" Insurance Report:

Before listing, engage an expert broker.

- Get a "Staple-able" Quote: Market the property with a pre-negotiated, transferable insurance quote. This removes the buyer's biggest unknown.
- Fix the "Bad Story": If the roof is 20 years old, get a replacement quote. Model it in your O.M. Offer a credit. Don't let the buyer's carrier find it and quote an "Actual Cash Value" policy.
- Show Mitigation: Document all upgrades. New plumbing, water sensors, "smart" shutoffs, and brush clearing.
- These moves change the underwriting conversation from "unknown risk" to "managed risk with a clear plan."



Execution Blueprint:

- What the data should look like:
 - COPE, five-year loss runs, capital improvements log, life-safety certifications, and recent inspections.
 - Visuals: date-stamped photos of roofs, plumbing manifold replacements, sprinkler heads, and cleared defensible space.
 - Vendor stack: roof bids, plumbing remediation proposals, wildfire mitigation plans—include pricing and timelines.
 - Indicative terms: quote with deductible options, RCV vs. ACV clarity, and any contingencies tied to scheduled improvements.



Execution Blueprint:

Negotiation Advantage:

- By anchoring buyers to a vetted quote and a mitigation plan, you reduce speculative pricing tied to insurance uncertainty.
- You also expand the competitive pool to buyers whose brokers lack deep access to PNW carriers, since you've decreased friction and standardized the risk process.
- **Measurement:**
 - Track the difference between current and marketed insurance costs; preserve value at the listing cap rate.
 - Monitor cancellations due to insurance before and after implementing this strategy; aim to significantly reduce insurance-related cancellations.



Buyer Strategies



Buyer Strategies: Preventing Surprises and Saving Deals

- **Engage** Your Broker During Due Diligence on Day 1, not afterward.
- **Asking for 3 quotes?** No. Get 1 GREAT broker: the market is too small. "Shopping" your deal to 3 different brokers often yields 3 "No" quotes from the same 5 carriers.
- **Model insurance** as a capital expense: if the building needs a \$500k new roof, include that in your CAPEX. If the insurance increases by \$100k because of the roof, treat it the same way. Model it.
- Budget for "**Ordinance or Law**": a vital coverage for older PNW buildings that covers the cost to rebuild to code (e.g., seismic upgrades) after a loss.





Buyer Diligence Cadence:

Within 48 hours of LOI:

- Transmit COPE, loss runs, and site photos to the broker; schedule a call with the lender and broker to align requirements.
- **Week 1-2:** obtain indicative terms with deductible options; test DSCR and capex plan against policy structures; confirm RCV availability or ACV contingencies.
- **Week 2-3:** finalize mitigation credits or escrow with seller tied to roof/plumbing upgrades; align loan conditions with carrier binding requirements.



Buyer Diligence Cadence:

Coverage checklist for older assets:

- Ordinance or Law Coverage A/B/C
- Equipment Breakdown
- Backup of Sewer/Drain
- Tenant Discrimination/Employment Practices (if applicable)
- Assault & Battery for specific occupancy mixes
- Appropriate earthquake/wildfire sublimits or deductibles contextualized to lender thresholds.

Decision discipline:

- If terms are non-conforming or the umbrella is unavailable, make a decision early: restructure leverage, re-trade with a documented risk memo, or walk away before deposits harden.
- Treat insurance feasibility like environmental or structural feasibility—approach it with the same rigor.

Portfolio Management





The Long View and Conclusion: Portfolio Before Deals

Action Plan:

- **Now:** Engage an expert to "scrub" your portfolio. Identify the high-risk assets.
- **Next 6 Months:** Build a mitigation plan (roofs, plumbing). Long-Term: Treat your insurance partner like your asset manager. Meet quarterly, not annually. This is an operating model, not a one-off fix.



The Long View and Conclusion: Portfolio Before Deals

Execution playbook at the portfolio level:

- **Risk inventory:** categorize assets by construction, vintage, roof age, plumbing type, sprinkler status, WUI exposure, and claims history; color-code for renewal risk.
- **Carrier strategy:** diversify where prudent but consolidate where scale drives umbrella access and pricing; avoid over-concentration in a single appetite that can be volatile.
- **Renewal runway:** 180-270 days; run pre-renewal meetings with underwriters, share completed mitigations, and secure indicative ranges to stabilize budgets.



Q&A

Let's Open It Up

Which mitigations are delivering the best premium reductions in the PNW right now?

How do I structure escrow and loan conditions to convert ACV to RCV post-closing?

What's a realistic umbrella stacking strategy for mixed vintage portfolios?

How early should I engage underwriters for assets with a history of prior water losses?

What documentation most convincingly changes a carrier's view from "bad story" to "improving story"?



Q&A

Let's Open It Up

Next steps:

Email for a portfolio scrub template

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Turning knowledge into cadence is the difference between sporadic wins and systemic value protection.