



Gallagher



Senior Living Evolving Risk Bulletin

Property Risks in Senior Living

The senior living industry is undergoing a transformative boom, driven by the aging Baby Boomer generation and their evolving expectations for retirement. As this sector grows, so do the risks associated with property management and insurance. Gallagher understands the unique challenges faced by senior living communities and is here to help you navigate these complexities with tailored risk management solutions. In this bulletin, we will explore key challenges, financial impacts and risk management solutions to address this growing risk.

Key challenges

- **Rapid market expansion:** The senior living market is expanding rapidly as Baby Boomers age. By 2030, all Baby Boomers will be over 65, representing a significant portion of the population requiring senior living options. The U.S. senior living market is valued at billions of dollars, with projections indicating further growth.¹
- **Demand outpacing supply:** More than 4 million Baby Boomers will reach the age of 80 in the next five years, driving occupancy rates in senior living communities. However, annual inventory growth in senior housing has dropped below 1%, the lowest rate since tracking began in 2006.²
- **Insurance rate increases:** Rising property insurance rates, driven by natural disaster losses, are affecting the senior living industry. Internal water losses, structural damage, and fire hazards in older facilities exacerbate these challenges. In addition, older facilities or those in suboptimal condition are more susceptible to issues like structural damage, leaks, and fire hazards. These vulnerabilities increase the likelihood of costly claims, prompting insurers to impose higher premiums on properties they deem higher risk.
- **CAT-risk and premium shifts:** The increasing frequency of catastrophic events (CAT-risk) is driving higher premiums and pushing many senior living facilities into the Excess & Surplus (E&S) market. High CAT-risk states, where senior living facilities are concentrated, are experiencing the most significant premium increases.

Financial impact

- **Growing financial pressure:** Property risks are placing increasing financial strain on the senior living industry. Higher insurance premiums are compounding already elevated operating expenses, which may discourage future development and investment. Owners and operators must carefully evaluate coverage affordability while striving to maintain profitability.
- **Natural disaster concerns:** The rising frequency and severity of natural disasters, such as hurricanes and wildfires, have intensified worries about the availability and cost of commercial property insurance. Accessible insurance is critical not only for rebuilding after catastrophes but also for ensuring housing affordability for seniors in affected regions.
- **Operational strain:** Rising premiums may force operators to cut costs elsewhere, potentially impacting the quality of care and amenities offered to residents.
- **Investment hesitation:** Developers may hesitate to invest in new facilities due to the financial uncertainty posed by escalating insurance costs.
- **Regional disparities:** Facilities in high-risk areas may face disproportionate financial burdens, further complicating expansion plans.



Risk management solutions

Gallagher recommends proactive strategies to mitigate property risks and manage insurance costs effectively:

- **Preventive maintenance:** Regular inspections and maintenance can reduce the likelihood of costly claims related to structural damage, leaks, or fire hazards.
- **Upgrading building systems:** Modernizing HVAC, plumbing, and electrical systems can improve safety and reduce the risk of internal water losses and other property-related incidents.
- **Smart monitoring technology:** Installing smart sensors and monitoring systems can help detect issues early, such as water leaks or fire hazards, minimizing damage and associated costs.
- **Documenting improvements:** Meticulously documenting all upgrades and maintenance activities can support insurance claims and demonstrate proactive risk management to carriers.
- **Risk transfer strategies:** Explore alternative risk transfer options, such as captive insurance programs, to manage premium costs effectively.
- **Emergency preparedness plans:** Develop comprehensive disaster response plans to minimize losses and ensure resident safety during catastrophic events.
- **Sustainability and biophilic design:** Embracing eco-friendly systems and nature-inspired spaces can reduce operational costs and enhance resident wellness. These designs appeal to residents and foster healthier living environments.

The senior living industry faces unique property risks that require innovative solutions to protect your people, property, and profitability. Gallagher is committed to helping senior living communities navigate these challenges with tailored insurance and risk management strategies. Contact us today to learn how we can help you safeguard your future and thrive in this evolving market.



Sources

¹"The Business of Aging: Legal and Financial Insights into the Senior Living Industry."

²"The Senior Living Market Can't Keep up with Demand as Boomers Age."

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