

Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.7b – District Establishes a Program to Provide Remediation Assistance to Low-Income Residents



Overview and Implementation Strategy:

The Department of Insurance, Securities and Banking (DISB) will contract with a property and casualty insurance company licensed in the District through a competitive bidding process to issue a specially designed group insurance policy to the Office of Risk Management (ORM) that will provide \$10,000 of insurance coverage in the event that the Homeland Security and Emergency Management Agency (HSEMA) identifies that a single or multifamily owner occupied or rental covered property has experienced a flood loss, from defined sources (e.g., river flood, flash flood, groundwater flood) with specific exclusions (e.g., sewer backup without a flood). The master policy will identify the types of flooding losses covered (e.g., dewatering and pump-out/dry-out efforts, removal and disposal of damaged property and building materials, supplying sandbags, tarps and performing mold remediation and or repair or reconstruction of damage property that poses an immediate safety concern). Certificates will be issued to all defined District low-income homeowners and renters with the premium paid by the District government. Certificates will be issued/renewed each year following review of DC tax return data provided by the Office of Tax and Revenue (OTR) to identify District households meeting the low-income requirement.

Policy benefits will include an immediate payment of \$2,000, without need to show proof of loss once HSEMA has conducted an in-person review of the property and determined that a flood loss has occurred. The remaining \$8,000 will be payable upon review of the loss by an adjuster. The \$10,000 coverage amount is designed to allow the resident to purchase an NFIP policy with a \$10,000 deductible and get the resulting premium reduction and may be offered in conjunction with a program to subsidize NFIP policies for low-income residents.

Impacted City Ward/ANC:

- All Wards

Lead Agency:

- DISB – Contract with a licensed property and casualty insurance company to issue a group policy to ORM. Contract with an actuarial firm to work with the insurance company to develop an actuarially appropriate premium rate for the coverage. Develop legislation to authorize the program.

Supporting Agencies, Roles/Commitments:

- HSEMA – Conduct on-site review of properties in the flood area to determine specific properties impacted by the flood event and report list to group insurance policy issuer.
- DC Licensed Property and Casualty Insurance Company – Issue a group policy to the District government with certificates going to all homeowners and renters meeting income criteria.
- ORM – Act as holder of the group policy and monitor the program.
- OTR – Provide income data to identify low-income households.

Background:



Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.7b – District Establishes a Program to Provide Remediation Assistance to Low-Income Residents

Impact of this Effort on Task Force Goal:

- This proposal is aimed at getting immediate cash assistance to low-income District residents who experience a flood loss. This will allow impacted residents to pay for remediation to prevent further damage to their property. The use of a formal insurance program has several advantages:
 - The \$10,000 coverage level will enable the resident to purchase an NFIP policy with the maximum deductible and lowest premium.
 - The cost will be more predictable than a program giving loans or grants as those payments would fluctuate based on the number of floods; the cost of this program would only vary by the number of eligible low-income households.
 - The cost should be stable as the coverage is a fixed amount, which will allow for refinements of actuarial models over time.
 - Using an insurance policy means there is an infrastructure in place for getting timely initial payments to covered households and adjusting the additional claims.
 - The insurance company can be required to purchase reinsurance to address excessive losses.
 - Certificates of coverage can be sent out annually to remind the households of the coverage.

Historical Context:

- How did we arrive at this particular situation? In the flood task force meetings and listening sessions, there was a clear need identified for quick payments to residents for remediation to prevent further damage to property such as the development of mold. . Low-income residents are not likely to have necessary cashflow to expend their own funds and ultimately get reimbursed.
- What Actions have already been taken? Our understanding is that DC Water has previously had ad hoc programs to provide some funding when flooding occurred.
- What are options to alleviate flooding impacts? Insurance is not the only option to get cash quickly into the hands of affected residents; grants, loans or other direct payments by the District government are also available.

Equity

How does this action assist vulnerable communities? – Details in attachment.

- The program gets cash into the hands of low-income residents with flood losses throughout the District quickly. This expedited process allows them to address remediation issues to property, remain in their homes and prevent further damage.

Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.7b – District Establishes a Program to Provide Remediation Assistance to Low-Income Residents



Timeline:

Fiscal Year	Responsible Agency	Action
2023	DISB ORM	Engage consulting firm to conduct a feasibility study to look at establishing participation standards (definition of low-income), payment amounts (what payment amount should be set to address the expected need?) and expected premiums.
2024	DISB	Develop legislation, including pilot program
2025	DISB ORM DOEE	Roll out pilot program
2026	DISB ORM DOEE	Roll out full program

Budget:

Total Estimated Cost: \$50K initial for feasibility study

Cost Breakdown by Phase / Action:

- \$50K for initial feasibility study
- \$TBD after feasibility study

Long Term Budget Requirements: Will require continued investment of \$TBD per year. Justification and Supporting Calculations attached.

Fiscal Year	Responsible Agency	Funding Source	Amount to be Requested	Description
2023	DISB ORM	Local	\$50K	Feasibility Study
2024				
2025	ORM	Local	\$TBD	Pilot Program
2026	ORM	Local	\$TBD	Full Program

Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.7b – District Establishes a Program to Provide Remediation Assistance to Low-Income Residents





Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.7b – District Establishes a Program to Provide Remediation Assistance to Low-Income Residents

Public Outreach and Input:

Public outreach & engagement approach/actions: List outreach undertaken in support of this Action Plan Category. Public Feedback in attachment.

- Action plan will be discussed for the flood task force and interested stakeholders to get input to refine the proposal. Additional outreach will be made to affected District agencies who are not represented on the flood task force to secure their input.
- Since this program would be funded entirely by District government resources for the benefit of low-income District homeowners and renters, little outreach is necessary prior to implementation.

What were the Public Comments of relevance to this Action?

- TBD