



Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.9a – District Establishes a Water Intrusion Mitigation Credit - Premium Discount Program

Overview and Implementation Strategy:

The aim of this program is to incentivize homeowners and renters to mitigate water damage and insurance losses by receiving premium discounts on their homeowner's or renter's policy when certain water intrusion prevention devices are installed in homes. It is not a panacea for all surface water issues.

Insurers providing homeowners' or renters' policies in the District would be required to establish a water damage intrusion mitigation credit—premium discount program—to make three premium discounts to qualifying insured homeowners or renters, under qualifying circumstances, when one or more of the following devices have been verified to have been installed in the home:

Cost (average cost range for installation and device)

1. Water Shut Off Devices [installation = \$200.00 - \$600.00 / device = \$100.00-\$300.00]
2. Water Leak Sensors [installation = \$0 - \$200 / device = \$25.00 – \$125.00]
3. Back Flow Devices [installation = \$80.00 - \$1,000.00 / device = \$100.00 - \$250.00]

Insurers can provide additional mitigation credits (premium discounts) at their discretion when or a combination of the following water intrusion protective devices have been purchased and/or installed.

Examples of optional mitigation credits are:

- *Install permanent glass protection materials or flood proof windows*
- *Install basement window protective covers*
- *Purchase flood socks*
- *Purchase sandless sandbags*
- *Purchase and connect battery backups for sump pumps*
- *Purchase utility flood covers*
- *Purchase portable submersible water pumps and hoses*

Process: The Department of Insurance, Securities and Banking (DISB) would collaborate with all interested parties to develop the program and promulgate legislation to establish a general criterion for a water intrusion mitigation credit—premium discount program.

Once established, DISB would send an informational memorandum to all residential property insurance companies instructing them to file with the Department through the Serff system a list of water intrusion prevention devices for which discounts are available. Insurers will also be required to send the information to the insured.

Additionally, insurers will be required to establish a method to verify that one or more devices were installed and continuously maintained.

Impacted City Ward/ANC:

- The water damage mitigation credit—premium discount program would be available to all qualifying insured homeowners and renters under qualifying circumstances. Low to



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moderate income families interested in devices and installation will be referred to other.

This program is not available to landlords, condo association or other commercial entities.

DC programs such as: Flood Smart Homes, or D.C. Back Water Valve that may offer funding or operational support. Interested LMI households may be able to receive some other form of financial assistance toward purchase or installation.

Lead Agency:

- DISB will collaborate with interested parties, focus groups, and the insurance industry to develop goals, objectives, and program implementation strategies.
- DISB will collaborate with other interested parties to refine the operation and program details.
- DISB will work with its legal team and the DC Council to develop and introduce proposed legislation.
- DISB will work with other Departments to develop consumer alerts, outreach materials and awareness campaigns.

Supporting Agencies, Roles/Commitments:

- DOEE – Community education and information dissemination efforts
- HSEMA – Community education and information dissemination efforts
- DC Water – Community education and information dissemination efforts
- Council – Statutory and regulation role

Background:

Impact of this Effort on Task Force Goal:

- The premium discount program supports the overall goal of strengthening disaster resiliency. The program would be another important tool that provides incentives for DC residents to mitigate potential property damage; reduce the cost of recovery; and decrease the potential for filing an insurance claim.
- A water intrusion mitigation credit—premium discount program has several advantages:
 - Incentivizes insureds to proactively address potential flood damage before it compounds.
 - Minimizes the catastrophic effects of a water related event on property, life, and health.
 - Reduces labor and resources needed in the flood recovery and restoration process.
 - Eliminates or reduces exposure from contamination and improves public health and safety.
 - Promotes continuity in operations and minimizes business and economic interruptions.



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- Strengthens community, government, and insurance industry partnerships. The introduction of a water intrusion mitigation credit could be an interesting option for the insurance industry to consider. P&C carriers can reduce property loss ratios by proactively addressing potential property damage events by implementing a water damage mitigation credit—premium discount program.

Historical Context:

- How did we arrive at this situation? In the flood task force meetings and in internal insurance department meetings, there has been an ongoing discussion and an understanding that there is a clear need to implement alternative strategies to support the District’s sustainability efforts by improving homeowner resilience. To that end, through many internal brainstorming and conceptualizing meetings, we arrived at a water damage mitigation credit—a premium discount proposal that would incentivize insured homeowners or renters to improve property resilience by installing water intrusion prevention devices and receive a reduction in the cost of their insurance.
- What actions have already been taken? Discounts are not a foreign concept to the insurance industry. Many policyholders have recognized such premium discounts when security and sprinkler systems were installed.
- What are options to alleviate the impacts of flooding? A mitigation credit program should work in concert with other programs to address a complex flooding concern.

Equity

How does this action assist vulnerable communities?

- This program would be an option for all qualifying homeowners, especially those in vulnerable communities, who can reduce their insurance premiums and mitigate potentially costly property damage claims.

A recommendation to establish a program with DC Water that would allow low to moderate-income families the ability to have a water intrusion device(s) installed at a reduced cost.

Timeline:

Fiscal Year	Responsible Agency	Action
2022	Designated Focus Group?	A formative evaluation will be conducted by a designated focus group to ensure the concept/program or program requirement is feasible, appropriate, and acceptable before it is fully implemented.
	TBD	Program goals, objectives, and strategies will be outlined and presented
	DISB	

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		<p>Develop legislation requiring insurers to create a program that would provide discounts to DC residents who have installed water intrusion prevention devices.</p> <p>Develop legislation requiring insurer to inform insureds, at inception and at 1st renewal, when there is an update of all the water intrusion prevention devices for which credit is available.</p>
2023	DISB	Send notice to all residential property insurance companies instructing them to electronically file their discounts with the Department via SERFF and to inform insureds, at inception and at renewal, of water intrusion prevention devices for which a premium discount is available.
2024	TBD	A process implementation evaluation will be conducted to determine whether program activities have been implemented as intended.
2026	TBD	An outcome/effectiveness evaluation will be conducted to measure how effective the program was in the target population. An evaluation of the progress and outcomes will be reviewed to determine if the program satisfactorily met most of its objectives.
2027		Impact evaluation will be conducted to assesses program effectiveness in achieving its ultimate goals.

Budget:

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

The feasibility study would be conducted to determine how many households would need the financial assistance for the purchase and installation of the devices.

Cost Breakdown by Phase / Action:

- \$25K for initial formative evaluation
- \$TBD after formative evaluation study has been conducted

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

* This would be an ongoing investment for low/moderate income households to defer the cost of purchasing and installing the devices. The long-term operation of the program will be funded through the general fund.

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Fiscal Year	Responsible Agency	Funding Source	Amount to be Requested	Description
2022	TBD	Trust Fund	\$15K	Formative Evaluation
	DISB		\$0	Legislation Development
2023	DISB		\$0	Program Implementation
2024	TBD	Trust Fund	\$TBD	Process Implementation Evaluation
2026	TBD	Trust Fund	\$TBD	Outcome Effectiveness Evaluation
2027	TBD	Trust Fund	\$TBD	Impact Evaluation and Report

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Public Outreach and Input:

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

- Consumer outreach would be conducted to inform and educate the public on the details of the program.
- This program would be initiated and conducted by insurance companies. They would be responsible for informing their policyholders.

What were the Public Comments of relevance to this Action?

- TBD