

Action Plan

Category 1 – Flood and Sewer Line Backup Insurance

Action 1.9b – District Establishes a Requirement to Make Available Enhanced Water Damage Coverage



Overview and Implementation Strategy:

This program will be known as “Enhanced Water Damage Coverage.” The initiative is to enhance a standard homeowners’ or renters’ policy either by offering endorsements or expanding coverage provisions directly within standard homeowner policies and, where applicable, within an HO-4 renters’ policy and HO-6 condo and co-op policies. The purpose of this program is to increase awareness of additional coverages available to address water damage for homeowners and renters and the cost of that additional protection.

The program would require insurers to make available through endorsement any of these enhancements not already included in their policy:

- Five thousand dollars of additional mold coverage to include testing and removal.
- Damage caused by water overflow from a sewer, drain, sump pump or septic tank.
- Water and Sewer Back Up from inside and outside drains.
- Building ordinance or law coverage.
- Recovery of expenses incurred by the resident for the installation of a certified back-flow valve and/or sump pump with a backup power system.
- Water damage resulting from a malfunction of the sump pump.
- \$5,000 for damage caused by the unusual and rapid accumulation of surface rainfall that enters through basement windows, a crack in the basement floor or wall, or through the garage door.
- \$5,000 for damage caused by the unusual and rapid accumulation of groundwater or surface water that causes water to enter the home.

The insurers would have to provide each District homeowner’s and renter’s policy applicants with an opt-in for each enhancement not included in the policy, along with the cost for each. DISB will review the take-up rate and evaluate whether to switch to an opt-out model.

While this will increase protections for District residents with homeowner’s or renter’s policies, it is not intended as a substitute for a flood policy.

The Process:

Insurers would be responsible for:

1. Submitting policy changes, revisions, and updates through SERFF.
2. Providing notice about available enhancements at policy inception and at three renewal cycles.
3. Including illustrations and/or detailed scenarios about what is included and excluded in the enhanced coverage.

Insurers would have the option of requesting exemptions if justification and/or information regarding an extenuating circumstance is provided.



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The Department of Insurance, Securities and Banking (DISB) would work with the insurance industry and all interested parties to develop an implementation strategy. All interested parties would be welcome to discuss, develop or revise tenets of the program and promulgate legislation to establish a general or complex criterion for the program's operation.

Once the program is 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 would also be required to send the information to the insured.

Impacted City Ward/ANC:

- The Enhanced Water Damage Coverage option(s) would be made available to all qualifying insured homeowners and renters under qualifying circumstances as determined by the insurer.

Lead Agency:

- DISB will collaborate with interested parties, focus groups, and the insurance industry to develop goals, objectives, rating schemes and form language approval, and program implementation strategies.
- DISB will collaborate with other interested parties/agencies to refine the roll out and the details of the program.
- DISB will collaborate with its legal team and the DC Council to develop and introduce proposed legislation.
- DISB will collaborate with other Departments to develop a consumer alert, outreach materials, or awareness campaigns.

Supporting Agencies, Roles/Commitments:

- Department of Energy & Environment (DOEE)–Community education and information dissemination efforts
- Homeland Security and Emergency Management Agency (HSEMA)–Community education and information dissemination efforts
- DC Water–Community education and information dissemination efforts
- DC Council–Statutory and regulatory role

Background:



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Impact of this Effort on Task Force Goal:

- The program supports the overall goal of strengthening disaster resiliency and sustainability. This would be another option for DC residents to improve property protections and address a wider cause of water damage.
- An Enhanced Water Damage Coverage Program has several advantages:
 - It creates more uniformity in marketed products.
 - Expands the availability and variety of product types.
 - Minimizes the catastrophic effects of a water related event on property, life, and health.
 - Allows customers to customize their insurance policy hazards typical to their dwelling.
 - Strengthens community, government, and insurance industry partnerships; and
 - Provides a more descriptive policy content.

Historical Context:

- How did we arrive at this situation? In the flood task force meetings and in our internal insurance DISB task force meetings, there has been an ongoing discussion and an understanding that we should develop a program that provides more water damage coverage options to DC residents. We believe providing more options supports the cities initiative of sustainability and resiliency. The Water Damage Coverage Program will provide these options.
- What Actions have already been taken? Policy endorsements that enhance insurance coverage are not a foreign concept for insurers. Policyholders have recognized and purchased enhancement type coverage in the form of replacement value coverage, increased policy limits and home inflationary guard coverage.
- What are options to alleviate flooding impacts? A mitigation credit program should work in concert with other programs to address a very complex flooding concern.

Equity

How does this action assist vulnerable communities? –

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- This program would be an option for all qualifying homeowners, especially those in vulnerable communities, who can reduce their insurance premium and mitigate potentially costly property damage claims.
- While not initially providing a specific benefit for vulnerable communities, as the expanded coverage options all would require additional premiums to be paid, in the future subsidies for low-income homeowners and renters may be considered.

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Timeline:

Fiscal Year	Responsible Agency	Action
2022	Designated Agency, Entity or Focus Group?	A formative evaluation will be conducted by designated personnel to ensure the concept/program or program requirement is feasible, appropriate, acceptable and problems/concerns have been adequately addressed and resolved before it is fully implemented.
	TBD	Program goals, objectives, and strategies will be outlined and presented.
2023	DISB	Develop legislation requiring pricing and make available policy enhancements or enhanced policy endorsements.
		Develop legislation requiring insurer to inform insureds, at inception and at three renewal cycles of product availability, cost, when there is an update, and of other requirements cited in the law.
2024	DISB	Send notice to all residential property insurance companies instructing them to electronically file their enhancements with the Department via SERFF and to inform insureds at policy inception and for three renewal cycles of the availability of the enhanced coverages. Program Implementation
2025	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	TBD	Impact evaluation will be conducted to assesses program effectiveness in achieving its ultimate goals.

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Budget:

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

Cost Breakdown by Phase / Action:

- \$0 for initial formative evaluation (conducted via market conduct evaluation)
- \$TBD (Cost of other assessment will be determined after a formative evaluation study has been conducted)

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
2022	DISB	Salaries	\$0K	Formative Evaluation
2023	DISB		\$?	Legislation Development
2024	DISB		\$?	Program Implementation
2025	TBD	Salary/Consultant	\$TBD	Process Implementation Evaluation
2026	TBD	Salary/Consultant	\$TBD	Outcome Effectiveness Evaluation
2027	TBD	Salary/Consultant	\$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, to a larger extent, would be initiated and carried out by insurance companies. They would be responsible for informing their policyholders in the manner determined by collaboration and legislation.

What were the Public Comments of relevance to this Action?

- TBD