

**TESTIMONY OF PATTY TEMPLETON-JONES
EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICE OFFICER
WRIGHT NATIONAL FLOOD INSURANCE COMPANY
ON BEHALF OF THE
PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA**

**“INSURING OUR FUTURE: BUILDING A FLOOD INSURANCE
PROGRAM WE CAN LIVE WITH, GROW WITH, AND PROSPER WITH”**

**SENATE APPROPRIATIONS SUBCOMMITTEE
ON HOMELAND SECURITY
UNITED STATES SENATE
JULY 23, 2014**

My name is Patty Templeton-Jones and I am the Executive Vice President and Chief Operating Officer of Wright National Flood, an insurance company partner with the National Flood Insurance Program (NFIP). Wright National shares the goal of having “a flood insurance program that we can live with, grow with, and prosper with” and that best serves United States’ property owners, renters, and taxpayers. For this reason, Wright National was pleased to accept the Subcommittee’s invitation to provide information today about progress on implementation of the Homeowners Flood Insurance Affordability Act (HFIAA).

Wright National Flood is a “Write-Your-Own” (WYO) flood insurance partner with the NFIP and through the WYO program, Wright National is the largest writer of flood insurance in the nation. Wright National Flood is also a member of the Property Casualty Insurers Association of America (PCI) which is composed of more than 1,000 member companies, representing the broadest cross section of insurers of any national trade association. PCI members write more than \$195 billion in annual premium and 39 percent of the nation’s home, auto and business insurance, epitomizing the diversity and strength of the U.S. and global insurance markets. PCI members also include two-thirds of the WYO insurers that partner with the NFIP to administer the flood insurance program. Thank you for the opportunity to appear before you today on behalf of Wright Flood and PCI.

Introduction

The 45-year old NFIP has experienced significant turmoil over the last decade. The dislocation began in 2005 following the effects of Hurricanes Katrina, Rita & Wilma, continued through 2008 when the then-existing authorization period ended, and was prolonged through a period of more than a dozen short-term program lapses and extensions until 2012 when some stability returned to the Program with the passage of the Biggert-Waters Flood Insurance Reform Act (BW-12). Implementation of BW-12 then caused its own period of turmoil such that the

unintended consequences of BW-12 implementation led to passage this March of the Homeowners Flood Insurance Affordability Act (HFIAA).

Wright National Flood and PCI supported both the passage of BW-12 and the HFIAA. While the major provisions of the HFIAA are well along in the process of implementation, as are many of the remaining BW-12 provisions, there's still much to do before we have a "flood insurance program we can live with, grow with and prosper with." Wright Flood and PCI look forward to working with you, your Senate colleagues, the House, and FEMA to assure the accurate implementation of these two significant pieces of legislation while looking ahead for ways to continue to improve the NFIP and flood risk management in the United States.

Homeowners Flood Insurance Affordability Act

We have some significant victories to discuss and some challenges and issues that remain, but overall, the implementation of HFIAA has gone much smoother than that of BW-12. I would be remiss, at this point, not to acknowledge and thank you, Madam Chair, for the consistent, vocal attention you and other members of this Subcommittee drew to the many "unintended consequences" that occurred during the NFIP's implementation of BW-12. That attention led to enactment of HFIAA which included several provisions allowing the WYOs to better partner with the NFIP to more efficiently and accurately implement the changes intended by BW-12.

NFIP staff have worked cooperatively with the WYOs through the implementation of HFIAA. NFIP staff have organized regular conferences calls and live interaction with the WYOs and their vendors to discuss the detailed mechanics necessary for the roll-out of the changes required by the HFIAA. Importantly, NFIP staff have thoughtfully considered and often adopted many pieces of vital, technical commentary provided during this series of important, while not necessarily glamorous, implementation calls. This unprecedented outreach and engagement by NFIP staff is no doubt due to the desire to avoid some of the pitfalls that occurred when implementing BW-12. However, this important interaction is also the product of a provision included in HFIAA requiring the NFIP to communicate regularly throughout the HFIAA implementation process. Since we all have the same goal of serving the flood insurance policyholders and the taxpayers, I am very pleased to be able to report about this positive development. This newfound cooperation has allowed the NFIP and the WYOs to move forward with HFIAA implementation significantly more quickly and more accurately than was possible under BW-12 and faster than was envisioned earlier this year when HFIAA was taking shape.

However, that doesn't mean there haven't been challenges. The pressure to implement the HFIAA changes "immediately" significantly shortened the time frame WYOs had to make the changes. With HFIAA's three major provisions being implemented on May 1, June 1 and October 1 and the guidance necessary being released to the WYOs on April 15, May 29 and June 26, respectively, these implementation timeframes were far shorter than the six month requirement contained in HFIAA. However, the WYOs understood and worked cooperatively with the NFIP to meet these deadlines, despite the extra costs, hours, and significant number of changes required by

the new law. As a result, we believe that the rate revision and adjustment process required by HFIAA has gone extremely well, with as little confusion as can be expected, given the speed and volume of the changes involved.

Likewise, the NFIP prioritized releasing guidance to process refunds so that this information was made available on June 26 and WYOs could begin issuing accurate, one-time refunds beginning October 1, 2014 --much sooner than is required in HFIAA. Although HFIAA requires the NFIP to issue refunds directly, the WYOs have agreed to process refunds on the NFIP's behalf and hope to complete the process by the end of 2014. It comes as no surprise that policyholders due refunds would like to receive those refunds as soon as possible. It also should not be a surprise that the NFIP wants to make certain that refunds are processed once and processed accurately, both to avoid any further policyholder confusion and to assure that the NFIP is not asking the WYOs to refund money not owed to a particular policyholder.

With the major sections of HFIAA implementation underway, there are still other provisions of that bill and BW-12 to address.

Flood Insurance Advocate

HFIAA also established the office of the Flood Insurance Advocate. While perhaps the value of a Flood Insurance Advocate was not fully understood before enactment of BW-12, in light of the considerable effort necessary to implement BW-12 and the HFIAA, WYOs know that having a central location for consumers and others to ask questions will be beneficial for years to come. We understand that the NFIP has established the goal of filling that position by the end of this year and hope the NFIP will be able to find candidates with both an understanding of mapping and flood insurance, as both will be needed for the Flood Advocate to best serve policyholders and the program.

Additional Observations

Recent history tells us that preparation is a key factor in minimizing financial loss after a natural catastrophe. Strong, uniform statewide building codes that are regularly updated play a significant role in reducing the risk of injury or death to homeowners during a natural catastrophe. Furthermore, structures built or retrofitted to comply with the most recent edition of the *International Building Code*, and other recognized building standards, incur less property damage during a significant weather event. Less property damage following an event reduces the need for federal disaster aid, and can help expedite a community's recovery after a natural catastrophe. PCI recognizes that strong building codes and responsible land use policies are crucial for all stakeholders to promote public safety and to be as prepared as possible for the next hurricane, tornado, or flood event.

PCI supports increasing private sector involvement in flood insurance. BW-12 included a provision expressly authorizing FEMA to obtain reinsurance from the private market. PCI looks

forward to working with companies and regulators to make certain consumers and other marketplace participants are properly educated and protected throughout developments in this area.

Insurers participating in the WYO program are responsible for helping administer the more than 80 percent of the NFIP business. Unfortunately, despite continued expensive education and outreach efforts by WYO companies, the number of homeowners and businesses purchasing flood insurance protection has peaked at about 5.5 million policyholders. In order to have a fiscally and economically viable insurance program it needs to continue to grow. Consumers need to be educated about the importance of having flood insurance and encouraged to continue purchasing it.

Through the partnership established by the WYO program, our company, Wright National is a leading provider of flood insurance. Administering and marketing the flood program is very complex and expensive, and the number of insurers willing to do so has declined significantly in recent years. Many WYOs have determined that the reputational, legal, and financial risks are too great. Unfortunately, as fewer companies market flood insurance, fewer consumers will purchase flood insurance. The increased complexity of the NFIP, along with increased costs for low-risk, voluntary NFIP policyholders also risk decreasing NFIP participation. Together, these and other pressures could lead to additional adverse selection in the future, increased taxpayer exposure and the need for additional federal aid following the next major catastrophe.

Growing the number of both policyholders and insurers will, in turn, benefit both taxpayers and the NFIP. These goals can be achieved by making constructive changes to the NFIP that put the program on more sound financial footing through rate reforms, by putting mitigation reforms in place and by establishing an environment at the state and federal levels that would encourage private sector involvement.

Conclusion

On behalf of Wright National Flood and PCI, thank you for the opportunity to present our views today. We look forward to working with you to protect consumers and improve the National Flood Insurance Program.