

**TESTIMONY OF DONNA M. JALICK**  
**VICE PRESIDENT OF FLOOD OPERATIONS OF**  
**HARLEYSVILLE INSURANCE**  
**ON BEHALF OF THE**  
**PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA**  
**BEFORE THE**  
**HOUSE FINANCIAL SERVICES COMMITTEE**  
**SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY**  
**OPPORTUNITY**  
**COMMITTEE ON FINANCIAL SERVICES**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**ON**  
**THE FLOOD INSURANCE REFORM ACT OF 2011**

My name is Donna M. Jallick, and I am the Vice President of flood operations for Harleysville Insurance. Harleysville is an insurance company partner in the National Flood Insurance Program's (NFIP) "Write-Your-Own" (WYO) program. Harleysville Insurance is also a member of the Property Casualty Insurers Association of America (PCI) and the WYO Flood Insurance Coalition.

Introduction

Harleysville and PCI believe that the NFIP is a necessary public policy response to an uninsurable peril and should be continued. Currently, the flood program is set to expire at the end of September this year.

We commend Chairman Biggert and Ranking Member Gutierrez and the rest of the members of this subcommittee for taking up this issue in a timely manner. We would urge you to pass this legislation as soon as possible. There were four "lapses" in the program in 2010, causing significant disruption in the vulnerable housing markets at a time when the U.S. economy and particularly the housing sector is struggling to recover from the recent financial crisis.

We are also happy to see that the legislation, while making some prudent reforms, does not include wide-spread changes to the program that would result in reauthorization delays while the issues are debated. We believe significant changes to the program should be kept to a minimum and can be debated once the program is reauthorized on a longer term basis.

There are more than 5.6 million NFIP policyholders in the U.S., and a long-term reauthorization of the program is essential to help provide stable protection for the country's property owners.

We believe the most important reforms are as follows, and they are addressed in the legislation being discussed today:

The program should be reauthorized on a long-term basis (e.g., for 5 years)

The program has been extended on a short-term basis a total of 10 times since its original expiration on September 30, 2008. As I stated earlier, the program is set to expire on September 30, 2011. A long-term reauthorization will ensure that there will be no gaps in coverage, which occurred four times in 2010 alone, each one longer than the previous.

Gaps in coverage caused significant disruption in the housing markets. Homebuyers in flood zones with a federally backed mortgage are required to purchase flood coverage before the property can be closed on, and last year, over 40,000 transactions were delayed because of the NFIP expirations.

Fix the rate structure

The rates charged for certain properties in the NFIP have been subsidized since its inception in 1968. It is time that these subsidies end and that the true cost of insuring property in hazardous areas is reflected in the premiums for those properties. These properties should not continue to be subsidized by other NFIP policyholders or U.S. taxpayers. We are pleased to see that movement toward that end is contained in the legislation.

The legislation includes raising the maximum annual rate increase from 10 to 20 percent. This is critical as we believe, as stated above, that the premiums should reflect the risk of loss. The legislation also increases the minimum deductibles which we believe more appropriately represents deductible amounts in the private market for homes and businesses. Increasing the deductible amount should also help from a fiscal standpoint as smaller losses would be absorbed by the policyholder and the vital protection provided for significant losses would be protected.

We are very pleased to see the inclusion of additional living expenses coverage for residential properties with optional limits as well as optional business interruption coverage. The additional living expenses helps consumers and business owners immediately move forward after a flood. This is a significant difference between the coverage that has been traditionally provided by private market property policies and the coverage provided under the flood policy. It has also been the subject of significant problems where there are losses under a flood policy as well as under a private or state policy providing windstorm protection.

We understand the significant issues that have surfaced regarding the certification of levees and the ongoing map modernization efforts. We believe that the phase-in included in the legislation as well as the reestablishment of the Technical Mapping Advisory Committee are important steps in addressing these significant issues for consumers, communities, the states and policyholders.

We are happy to see that Section 10 of the discussion draft includes mitigation grants and addresses repetitive loss properties – both of which are important reforms that should be retained. We believe both are vital to the program, and we very strongly support their inclusion.

Indexing the coverage limits (included in Section 4) is an important provision as well since the maximum limits have not changed since 1994. The limits offered should facilitate replacing the average home based on today's construction costs.

Proposals to end the NFIP's primary flood underwriting are unrealistic given the current steep subsidies and recognized unwillingness of many homeowners to purchase coverage even when mandated and at highly subsidized rates.

#### Conclusion

We are very pleased that the discussion draft contains a long-term reauthorization of the program, a move toward eliminating rate subsidies, an index of the maximum limits, additional living expense and business interruption coverages and a method to address mapping issues.

Therefore, we support passage of this straightforward legislation and pledge to work with you to improve the National Flood Insurance Program. Thank you.