



*Independent Insurance Agents
& Brokers of America, Inc.*

**STATEMENT OF GEORGE KOMELASKY
ON BEHALF OF THE
INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
August 15, 2006**

Good morning Chairman Oxley, Congressman Fitzpatrick, and Members of the Committee. My name is George Komelasky, and I am pleased to be here today on behalf of the Independent Insurance Agents & Brokers of America (IIABA) to provide my association's perspective on efforts to reform the National Flood insurance Program (NFIP). I am also Vice President of Paist & Noe, Inc., an independent agency based in Richboro, Pennsylvania which offers a broad array of insurance products, including flood insurance, to consumers and commercial clients in Pennsylvania and beyond. I am currently Chairman of the Insurance Agents and Brokers of Pennsylvania, the State affiliate of the IIABA. I am a Township Supervisor in Northampton Township for more than 20 years and have been a Bucks County resident for over 30 years.

IIABA is the nation's oldest and largest trade association of independent insurance agents and brokers, and we represent a nationwide network of more than 300,000 agents, brokers, and employees. IIABA represents independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer all lines of insurance – property, casualty, life, health, employee benefit plans, and retirement

products. It is from this unique vantage point that we understand the capabilities and challenges of the insurance market when it comes to insuring against flood risks.

IIABA believes that the NFIP provides a vital service to people and places that have been hit by a natural disaster. The private insurance industry has been, and continues to be, largely unable to underwrite flood insurance because of the catastrophic nature of these disasters. Therefore, the NFIP is virtually the only way for people to protect against the loss of their home or business due to flood loss. Prior to the introduction of the Program in 1968, the Federal Government spent increasing sums of money on disaster assistance to flood victims. Since then, the NFIP has saved disaster assistance money and provided a more reliable system of payments for people whose properties have suffered flood damage. It is also important to note that for almost two decades, up until the last hurricane season, no taxpayer money has been used to support the NFIP; rather, the NFIP has been able to support itself using the funds from the premiums it collects every year.

Under the NFIP program, independent agents play a vital role in the delivery of the product through the Write Your Own (WYO) system. Independent agents serve as the sales force of the NFIP and the conduits between the NFIP, the WYO Companies, and the consumers. This relationship provides independent agents with a unique perspective on the issues surrounding flood insurance, yet also means that the role of the insurance agent in the delivery process of flood insurance is considerably more complex than that of traditional property/casualty lines. Agents must possess a higher degree of knowledge and expertise than their non-NFIP participating counterparts, which requires attending and updating their continuing education credits through flood conferences and seminars, many of which are not offered within their state of domicile. This is done regularly and involves traveling to different regions of the country, costing personal time and money. Every agent assumes these responsibilities voluntarily and does so as part of being a professional representative of the NFIP. In an effort to bring the education process to as many people as possible, our State association has begun to provide internet based seminars conducted by nationally recognized flood insurance expert Rita Hollada. This training has been extremely popular and a tremendous tool. We believe in the effectiveness of the Program and would like to see it continue and offer consumers even greater protections in the years ahead.

However, no Program is perfect, which was made all the more clear by last year's devastating hurricane season and the unpredictable weather patterns here in Bucks County Pennsylvania, where there have been three major flood events in just the last 18 months. This increased flooding activity in such a short period of time has highlighted some of the deficiencies of the program and has strained government resources. While IIABA is confident that the NFIP will recover, it is important that Congress shore up the NFIP's financial resources and use this opportunity to enact needed reforms to ensure the long-term sustainability of the program.

For this reason, the IIABA is strongly supportive of your Committee's legislation, H.R. 4973, the Flood Insurance Reform and Modernization (FIRM) Act of 2006. In November, 2005, the IIABA released a 23-point plan for reform to restore the NFIP to

sound actuarial footing, and we are extremely pleased to see a number of IIABA recommended provisions in your legislation.

In particular, the increase of the NFIP's borrowing authority has been a top issue for independent insurance agents & brokers. The Federal Emergency Management Agency (FEMA) distributed a memo to Write-Your-Own companies last November informing them that lines of credit were suspended until further Congressional action regarding an extension of borrowing authority. With claims expected to exceed \$23 billion, extended borrowing authority was necessary in order to meet consumer needs. The initial borrowing limit of \$1.5 billion from the U.S. Treasury was extended by Congress in the immediate wake of Hurricanes Katrina and Rita, but even this extension was inadequate to meet the anticipated claims. Mr. Chairman and Congressman Fitzpatrick, your efforts to increase the borrowing authority of the NFIP are vital to ensure the continued payout of promised monies to consumers, and the IIABA applauds you both for your efforts to ensure that the U.S. Government delivers on this promise.

The inclusion of optional business interruption coverage is also crucial to Big "I" members and their commercial customers, many of whom lost their businesses in the area affected by the hurricanes last year. Business interruption coverage, and the security and peace of mind it provides, is crucial to our members and to small businesspeople across America.

Also chief among our recommendations, and present in your bill, are provisions that would increase the maximum coverage limits and also include additional living expenses coverage for residential policies.

The IIABA is very pleased that the House has moved forward on comprehensive flood insurance reform and passed your Committee's legislation. The Flood Insurance Reform and Modernization Act of 2006 is critical towards ensuring the long-term stability of the vital National Flood Insurance Program (NFIP). The NFIP is essential to Americans and to the U.S. economy and we strongly support your efforts to update it to reflect today's risks. Adopting the reforms found in H.R. 4973 would make the NFIP more actuarially sound and more effective at serving both consumers and taxpayers. We are also strongly supportive of your efforts to include the optional coverage of business interruption insurance, additional living expenses, and increasing the maximum coverage limits.

I thank the Committee for giving me the opportunity to express the views of the IIABA on this important Program. I hope very much that this hearing will contribute to additional action taken by the Congress to pass their flood insurance reforms and to ensure prosperous growth and stability of the National Flood Insurance Program.