



SUPPLEMENTAL TESTIMONY FOLLOWING THE U.S. SENATE COMMITTEE ON  
BANKING, HOUSING AND URBAN AFFAIRS FOR A HEARING ON THE  
REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM, PART I

May 19, 2021

Founded in 1931, the National Association of Professional Insurance Agents (PIA) is a national trade association that represents independent insurance agencies and their employees. PIA members sell and service all kinds of insurance, but they specialize in coverage of automobiles, homes, and businesses. PIA represents independent insurance agents in all 50 states, Puerto Rico, and the District of Columbia. They operate cutting-edge agencies and treat their customers like neighbors, providing personal support and service.

**I. Correcting the Record: Agent Compensation in the National Flood Insurance Program**

During yesterday's Senate hearing on the reauthorization of the National Flood Insurance Program (NFIP) in the Committee on Banking, Housing and Urban Affairs, in both written and verbal testimony, one of the witnesses, Rebecca Kagan Sternhell, who is the Director of Federal Affairs for the City of New York, mischaracterized the compensation provided to and the work required of independent insurance agents.

In Ms. Sternhell's written testimony, she said, "Accordingly, the City feels the WYO [Write-Your-Own] compensation should be right-sized to actual expenses. Where it might be understandable for an agent to receive a 30% commission for the year they issue the policy, subsequent year renewals do not require the same customer acquisition costs or property evaluations. Because of the financial condition of the NFIP, we encourage Congress to look at the current compensation structure to ensure it aligns with actual work on policy issuance."

First, Ms. Sternhell has conflated two different entities, both of which contribute to the value policyholders receive when they purchase an NFIP policy. The first is the Write-Your-Own (WYO) carrier, which receives a 29.9 percent reimbursement from the federal government. The second is the independent insurance agent, whose commission is paid by the WYO from the 29.9 percent reimbursement it receives. Neither the WYO nor the agent receives the 29.9 percent in full—not in the year the policy is initially issued and not in any subsequent year.

Most policyholders are unaware of the work independent agents invest in them throughout the policy year. Independent agents are in regular communication with consumers concerning payments, cancellation notices, mitigation options, and mapping changes. They engage in discussions with mortgage companies if ownership of an insured property, particularly in a mandatory flood zone, is changing hands. Throughout the year, changes in underwriters' understanding of a property's risk can necessitate the purchase and development of an Elevation Certificate (EC), additional flood proofing, and new photos.

In addition, the NFIP undergoes regulatory changes at least annually, but often multiple times a year. Most regulatory changes are not specific to new policies. Agents need to be aware of and understand each change so they can communicate in a timely and understandable way with their policyholders about it. Then agents can work with their customers to resolve questions raised by the change, including whether the covered property will be affected by the new regulation.

Perhaps most importantly for consumers, independent agents stand with their policyholders after a flooding event, even when that event also affects their own homes and businesses. Once a flood occurs, agencies often make their agents and customer service representatives available nearly around the clock in shifts. Agencies will sometimes hire extra staff to assist policyholders in navigating the complicated claims process. Often, the agency and staff have themselves been affected by the flood from which their consumers are recovering; however, they recognize their duty and responsibility to put their customers first. Because floods frequently damage an entire neighborhood or community at once, an agent usually does not have the luxury of assisting with one claim arising from one flood loss; rather, a single agent or agency could be handling hundreds of claims arising from hundreds of losses following a single flood.

## **II. Correcting the Record: Misleading Statement During Hearing on Renewals**

During the question-and-answer phase of the hearing, in response to a question from Senator Robert Menendez (D-NJ), Ms. Sternhell opined that renewals are, effectively, automatic and as easy as emailing a document for electronic signature.

On the contrary, renewing an NFIP policy is a time-consuming process that requires extensive communication with the insured, particularly if FEMA has made regulatory changes or if the policyholder has taken mitigation steps that require policy changes, and the agent must remain focused on hard deadlines, which vary by policyholder.

Agents review renewal notices for accuracy of data (name[s] of insured[s], mailing address, location of insured property, scope of coverage, and identification of any liens and lienholders). They also research legal changes that could affect coverage or premium rates, the existence of other policies that could cause a gap in coverage, etc. With the private market growing, agents must compare the NFIP to the private market for eligibility, coverage options, and pricing; they must inform the policyholder of their results and offer alternatives if available.

The agency works with the policyholder to ensure renewal payments are received in a timely way, sends reminders as the expiration date approaches, and warns of cancellation for

nonpayment of a policy for which renewal is intended. Once renewal is complete, the agency keeps meticulous records in their management system for all their flood customers.

### **III. Conclusion**

Independent insurance agents who sell NFIP policies are crucial to the future success of the program. PIA is proud to have among its members a seasoned group of knowledgeable independent agents who sell NFIP products every day. Any of them would be honored to testify about the critical role agents play in delivering the program to consumers when given the opportunity.