

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
PROPERTY & CASUALTY INSURANCE COMMITTEE  
BOSTON, MASSACHUSETTS  
JULY 16, 2021  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at the Westin Boston Waterfront Hotel on Friday, July 16, 2021 at 3:00 P.M. (EST)

Representative Bart Rowland (KY), Chair of the Committee, presided.

Other members of the Committee present were (\* indicates virtual attendance via Zoom):

Asm. Ken Cooley (CA)*	Rep. Tracy Boe (ND)
Rep. Terri Austin (IN)	Sen. Jerry Klein (ND)
Rep. Matt Lehman (IN)	Sen. Shawn Vedaa (ND)
Rep. Joe Fischer (KY)	Asm. Ken Blankenbush (NY)
Rep. Derek Lewis (KY)	Asm. Kevin Cahill (NY)
Rep. Edmond Jordan (LA)*	Sen. Bob Hackett (OH)
Rep. Brenda Carter (MI)	Sen. Jay Hottinger (OH)
Rep. Kevin Coleman (MI)	Rep. Forrest Bennett (OK)
Sen. Paul Utke (MN)	Del. Steve Westfall (WV)
Sen. Walter Michel (MS)	

Other legislators present were:

Rep. Steven Meskers (CT)	Rep. Jim Gooch (KY)*
Rep. Tammy Nuccio (CT)	Del. Courtney Watson (MD)
Rep. Kerry Wood (CT)	Sen. Randy Burckhard (ND)
Sen. Spiros Mantzavinos (DE)	Sen. Mary Felzkowski (WI)
Rep. Roy Takumi (HI)	

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO  
Will Melofchik, NCOIL General Counsel  
Tess Badenhausen, Assistant Director of Administration, NCOIL Support Services, LLC

## QUORUM

Upon a motion made by Asm. Ken Cooley (CA), NCOIL Vice President and seconded by Rep. Joe Fischer (KY), NCOIL Secretary, the Committee voted without objection by way of a voice vote to waive the quorum requirement.

## MINUTES

Upon a motion made by Rep. Fischer and seconded by Sen. Jerry Klein (ND), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's April 18, 2021 meeting.

## PROPERTY & CASUALTY INSURANCE GUARANTY FUNDS: WHAT ARE THEY? HOW HAVE THEY RESPONDED TO COVID? HOW DO THEY INTERACT WITH CAPTIVE INSURANCE LAWS?

Roger Schmelzer, President & CEO of the National Conference of Insurance Guaranty Funds (NCIGF), thanked the Committee for the opportunity to speak and stated that we are the coordinating body for the P&C guaranty fund system and yesterday at the life committee you heard from our counterpart the National Organization of Life and Health Guaranty Associations (NOLHGA) and so this is the other side of the house and I'm pleased to be joined by Barbara Cox our former general counsel for 25 years and now in private practice and she'll provide most of the info today and I'll provide a couple of other things.

Ms. Cox stated that first of all we start with the basic what are guaranty funds well they pay covered claims when an insurance company becomes insolvent and is ordered into liquidation which does happen sometimes despite everyone's best efforts. They are normally private associations although a few of them are controlled by insurance depts. They are overseen usually by a board of directors made up of industry members; there are a few public members and legislative appointees. Where does the money come from - well generally three sources: assessments on guaranty fund members and that is any insurance company writing business in the state is compelled to become a member of the guaranty fund those assessments are generally limited to 2% of net direct written premium; also they get money from the available assets of the insolvent insurance company and that's kind of a funny thing sometimes you get a lot of money right away sometimes you get a little money right away a lot of money later; and sometimes no money; sometimes 100% of claims payment at the end of the day; also in certain states there are statutory deposits collected by the insurance dept. California has huge work comp deposits which fund a lot of their claims should a work comp carrier go down. How many insolvencies - well it varies from year to year and right now we are at around seven for 2020. We've had up to 21 in a year and I won't dwell on it because we're short on time how much fun we had during that year as it was shortly after the 9-11 incidents where some insurance companies went down and reinsurance dried up and we had a few other huge carriers go down about the same time and we were getting phone calls at our annual meeting about liquidations so it was an interesting and busy time for all of us but we all learned a lot so that was good.

Keep in mind that these estates will be open for while and the guaranty funds will be handling claims for a while so just because you see seven in 2020 doesn't mean the guaranty systems aren't busy there are still some reinsurance claims open that date back to 2001. Assessments - those numbers are in billions and there have been up to \$1.4 billion in member assessments in any given year right now we're down to about \$400 million so it really varies and is importantly a post funded system meaning the guaranty funds don't collect the money from their members until they need the money to pay the claims so there is not a situation where you pay a certain amount of money every year whether there is insolvency activity or not. Mr. Schmelzer calls this just in time funding which is exactly what it is. Capacity - there is plenty of capacity and that slide is not illustrating the blue line as it should be way down on the bottom of the chart as we only use a fraction of the capacity that's available for the system and I have another slide that will illustrate that better. Since 2001, total payouts have been about \$23.4 billion and we've recovered about \$17 billion from the insolvent estates and net assessments were \$11 billion so again there is plenty of money and we don't have much time today so if anyone has additional questions about assessment capacity please give us a call we are happy to talk at length about that.

You all wanted to know about captives and we at NCIGF don't know a whole lot about captives and that's because most states have language similar to what is in the DE law – “No captive insurance company shall be permitted to join or contribute financially to any plan, pool, association, or guaranty or insolvency fund in this State, nor shall any such captive insurance company, or any insured or affiliate thereof, receive any benefit from any such plan, pool, association or guaranty or insolvency fund for claims arising out of the operations of such captive insurance company.” So generally we don't cover those programs there is an exception in GA for certain work comp programs that's one of the things I can talk at length about why that happened but there is no time for that today but it was an interesting situation. Ill now turn it over to Mr. Schmelzer to discuss future challenges.

Mr. Schmelzer stated that I wanted to also say thank you for the work you have done on guaranty funds over the last two years. You reauthorized your model law that we helped you write almost 20 years ago we appreciate that as that was a very big thing for NCIGF to have a national organization recognize what we did and how we did it there is also a National Association of Insurance Commissioners (NAIC) model we like both but we really like this one. Also the work you have done on insurance business transfers (IBTs) and divisions is very important and that's part of these future challenges that we are talking about. Ill now talk about COVID a little bit and you'll be glad to know and this was unknown at the outset how insurance would fair under the pandemic and what that would mean for the guaranty fund system and we were all concerned as it was an unknown situation but fortunately there were no failures of any extreme nature and certainly none that happened due to COVID and the guaranty fund system itself I'm pleased to say had absolutely no interruptions in service and as Ms. Cox mentioned just because there are a few number of insolvencies there is still a lot going on in guaranty funds and nobody stopped doing that work and if anything there was probably more work we were able to do just simply because we were able to recognize the challenges that we had so COVID was not an impact on the guaranty fund system and more important not on the insurance industry per se.

One of our biggest challenges is keeping the guaranty fund system in an always ready status. Title 2 of the Dodd-Frank act assigns the resolution of insurance companies of all sizes to the state guaranty fund system and to the state receivership system there is no distinguishing feature there that says in any way that the state system would not handle the failures in fact there is authorization for the Federal Deposit Insurance Corporation (FDIC) if the state insurance regulatory system doesn't move quickly enough to go ahead and petition for a company to be put in liquidation but the resolution would still take place in the states which means we have to always be ready and our members need enough staff and equipment and all the security necessary to handle whatever comes their way.

The system is very lean as it costs about \$80 million a year to run the guaranty fund system. We have to be sure that our members are working smart that NCIGF is working smart and that we are prepared to do the work we are statutorily assigned to do. We do have some issues in doing that however. One is security and data security as that is the most important objective that we have among several strategic objectives at the guaranty fund system as we spend an enormous amount of time working with our members and at NCIGF to be sure that our system is completely secure. All of these other things we have to do it wont matter if we aren't secure. The transition of data is probably the most critical issue facing the guaranty fund system and it works with the partnership with regulators. There needs to be a much earlier involvement as possible with insurance regulators and insurance receivers but on the regulator side so that if a company were to become impaired one way or another or go into supervision we would already have an understanding we don't want to be involved in the decision about a company going

insolvent but what we do want to do is be prepared for a seamless transition of claims data into the guaranty funds and to the insurance receivers. Everything is digital now and you may think it makes it easier but it doesn't. Paper files some people will tell you they would much rather have but the internet pipe is only so big and you can only get so much info and so much is imaged so we need to have as much preparation as we possibly can and we think we're making progress on that as it's a change that's probably going to have to be statutory in some states to allow us to be able to do that.

New business models as we talked a little bit about IBTs and divisions and you are talking about that here. The insurance environment is very dynamic you know that but there are decisions that get made in insurance depts that sometimes you don't know how they are going to come out many years later and how it will affect an insurance company and we all want to be sure that the industry is doing what it needs to do to serve consumers and we need to make sure we do what we need to do to protect policyholders in the event that protection is necessary. Thank you I'm happy to answer any questions. Rep. Rowland thanked them for the presentation and thanked them for being a resource to NCOIL.

## DEVELOPMENTS IN POST-DISASTER CLAIMS HANDLING LEGISLATION

Amy Bach, Executive Director of United Policyholders (UP), thanked the Committee for the opportunity to speak and share info with you. Rep. Pam Marsh, Chair of the Oregon House Committee on Energy and Environment, is with us so we are just going to jump right in. Our topic today is "improving disaster recovery through insurance reform legislation" and we are mindful of the time constraints today. Rep. Marsh stated I am happy to be here even in this virtual form. Ms. Bach stated that Rep. Marsh's district was heavily impacted by the 2020 wildfires and in addition to being chair of the energy and environment committee she has been vice chair of a special committee on wildfire recovery. She has been very hands on in her district with the impacted constituents and aggregating resources and a lot of her focus has been on assisting manufactured and mobile home residents. Of the 2,800 homes a very significant number were manufactured. Rep. Marsh stated that my district is in southern Oregon just across the California border and we were impacted by the fires that went through our state on Sep. 8 of last year and in my tiny legislative district that fire took 2,500 housing units and of those 1,500 were manufactured homes a total of 18 parks were largely or fully destroyed in that and that was significant because the manufactured homes are where a lot of our most vulnerable residents live – our elders, working class people and Latina and latinx population.

Ms. Bach stated that I have had the honor of presenting before NCOIL in the past and have been an insurance consumer advocate since 1984 and co founder of the national nonprofit UP and also active at the NAIC as a consumer rep and serve on the Federal Advisory Committee on Insurance (FACI) where I co-chair a protection gap subcommittee with a reinsurance exec. My organization is a 501(c)3 and we are celebrating our 30<sup>th</sup> year of service and through our roadmap to recovery program we connected with Rep. Marsh because we educate, support and survey disaster impacted communities and individuals and together we have done some education programs and also I helped out on the legislation because through advocacy and action programs we also support legislative and regulatory reforms that improve loss recovery and uphold the indemnification purpose of insurance. Ms. Bach asked Rep. Marsh to touch on the context and experience that led her to introduce the bill we are reviewing today.

Rep. Marsh stated that we recognize here in the west that wildfires are really our existential threat in the future but I realize that's not the case in ala parts of the country and many of the disasters that the Federal Emergency Management Agency (FEMA) has handled in the past are

quite different like floods and hurricanes and they leave a community in different conditions. In the cases of these wildfires, what we had left was nothing. What we had left was carnage of debris and what that meant was that the entire community instead of doing any kind of repair and that's a condition FEMA more normally addresses this is all about an extended rebuilding process. We are a community that was already hard hit by a lack of construction workforce with the pandemic materials skyrocketed across the country probably all of you had heard about that from yourselves or constituents so we faced a situation where we were going to have to do widespread debris pickup in partnership with FEMA and were looking at significant delays in issuing permits and immediately people got their insurance policies and started to say oh my god I have one year to rebuild my house how am I possibly going to pull that off. Certainly under the best of conditions if your house burns down and you have house plans in your safety deposit box and your daughter in law is a contractor maybe you can rebuild in a year but with conditions we were facing with large spread disaster it was simply impossible. So it was from the very beginning of the disaster as our conditions unfolded that we realized our conditions really mandated a different approach in insurance policies and that initiated the legislation that we did as a result.

Ms. Bach stated that insurers application of depreciation is particularly problematic for manufactured homeowners. The bill does not address that but that is something I am throwing out there for your members because it is a significant consideration. You already heard some things on the next slide and we heard Rep. Marsh talk about the challenges of there being a lot of homes destroyed with limited resources but there is also the reality of that companies and independent adjusters are stretched thin after large scale disasters and training and experience varies and the use by insurers of Xactimate software to calculate their settlement offers on dwelling claims is a chronic source of dispute because builders price differently they don't use Xactimate. Underinsurance is also very prevalent so in addition to the concern that Rep. Marsh identified of people realizing that there was no way they could rebuild in a year and needing additional living expenses covered there is also this problem that Rep. Marsh and the legislature took aim at in the bill that we will review. It sort of builds on what we've tried to do in CA through regulation and tries to get insurers to do a better job at working with customers to insure dwellings to their true replacement value at the point of sale. Another reality in the lay of post wildfire land is that we have not really seen insurers be willing to adopt across the board voluntarily special rules to expedite disaster claims and so we've seen some legislatures like CA, CO, OR through legislation compelling a certain amount of a disaster claim which is a little different from a one off and as you've heard from Rep. Marsh 12 months of additional living expenses is not enough for people to get them to where they can move back into a replacement home.

Ms. Bach stated that you can see that my organization part of what we do is these surveys and they document over and over that wildfire survivors are chronically underinsured so only 18% of people who lost their homes in last fall's CO wildfires said they had enough insurance to rebuild and then only 23% in CA so we definitely have a very severe problem on our hands which I have presented on to NAIC over the years and to NCOIL as well. It doesn't matter really where the disaster hits as dwellings are not adequately insured which I don't think is news to a lot of you but is compelling and the approach Rep. Marsh took in her bill I can discuss. The next slide is an illustration that 12 months is just not realistic to expect people to replace their dwelling after a wildfire and in fact one year after the fires in Paradise less than one third of the impacted people had been offered full settlement on their dwelling after one year. One last bit from our survey is when people have been asked what are your biggest sources of post wildfire stress insurance claims come up way too high so what we are looking to do and what Rep. Marsh did and we would like to see you all do in your states is to work with insurers either on a voluntary

agreement basis or through legislation to reduce the stress and make the process not so challenging for overwhelmed and traumatized people who have lost everything.

What the OR legislature and CA has done and a little as well in CO is to extend policy deadlines to be a little more realistic and factor in the extraordinary circumstances to reduce the prevalence and impact of inadequate insurance to give survivors some flexibility to use policy benefits to replace their homes elsewhere which helps get people out of wildland urban interfaces (WUIs) and then we'd like to see more innovation reform in reducing the requirements that people list every single item in their medicine cabinet and their kitchen draw in order to settle their contents claims.

Rep. Marsh stated that part of her bill, HB 3272, was really to address the timelines that were involved with consumers holding insurance policies and those had to do with the rebuilding issue I mentioned earlier. Typically, people looked at their policies and found that they had one year to rebuild and the state asked insurers to extend and some did and to be clear many insurance companies were very helpful and people are praising them after their experience but that actually made it all the more difficult when you started to hear stories of insurance companies not really stepping up when they weren't obligated to. The heart of the bill is to extend the replacement timeline and the way the legislation reads is that now an individual whose home burns down in a single event so your house is the only house on the block that burns down you'll have up to two years to rebuild and you'll have the option with a one year limit of asking for two six month extensions so if you have extenuating circumstances and can't get a contract and materials aren't available you can extend for six months and then for another six months for a max of two years and in cases where an emergency has been declared you have a minimum of two years to rebuild and the option of two six month extensions so a total of three years again if you are facing extenuating circumstances and along with that we ask that living expenses in the case of an emergency situation be extended subject to the limits of the policy so that was really the heart and most important takeaway for most of the people we were responding to.

Rep. Marsh stated that the other benefits in the bill in terms of rebuilding in addition to the timeline were the ability to combine coverages so if you had a studio out back or one room accessory unit and you don't have enough coverage in your policy to rebuild your primary home you can combine the coverage and use that studio or other building in the construction of your primary home. That was an issue we are going to see come up in this case although this bill unfortunately is not retroactive and the cost of building and materials and construction and when you are competing a whole host of other people who have had losses those costs accelerate not unsurprisingly. The last piece of coverage was really to allow you to rebuild in that location where you are or to rebuild in a different location or to purchase a home in a different location as we found in some cases people just had to start their lives over again as they didn't have the psychological capability to stay or the logistical ability to work through a rebuild so they needed to buy someplace else and rebuild their lives and we made that possible with the legislation. Ms. Bach stated that I am hoping by presenting here today we are helping spark a national trend that all states allow these levels of flexibility as they don't cost insurers more than they would otherwise have to pay if a homeowner rebuilt and they are practical. Ms. Bach asked Rep. Marsh if she tried to have her bill have retroactive application. Rep. Marsh stated that they were working with insurers and the department of insurance (DOI) and the DOI asked many insurers to voluntarily take on some of these policy changes and many did and we recognized that we needed to start at the beginning of a policy period so we didn't try to make it retroactive.

Ms. Bach stated to Rep. Marsh that the effort to try to reduce the frequency and severity of people finding out after the fact that their dwelling is not properly insured you took an approach that is somewhat similar to what CA has done which is to mandate that when an insurer does that replacement cost estimate at the point of sale that it be comprehensive and that it include the main cost drivers. CA lists them and the OR law basically just invites or gives the consumer the opportunity to get their insurer to do that estimate is that correct. Rep. Marsh stated that's correct and we can't obligate people to buy more coverage and we also know given what we've seen that every one of us should be calling our insurance company to figure out how far our coverage is to what we need so what we were trying to do is to simply spur thought about it and spur consumers to reach out to insurance companies before the disaster hits. Ms. Bach stated that we compared the OR law to the CA law and this PowerPoint will be available to everyone today. We've already reviewed all of the insurance and this slide is just to give you statutory references in the two states to compare as they are very similar in the approach which I think makes sense as its much easier for adjusters to deal with similar sets of rules in different sates so I think it would be very helpful for all wildfire prone states to have these flexibility rules in place and these extensions in place.

Rep. Marsh stated that I'll add a quick comment which is that I mentioned earlier that we worked with the DOI which got on board with the bill and the governor was supportive but we also had a really positive working relationship with reps from the industry and they didn't endorse the bill but they also agreed not to oppose it because I think they realize that if these are pragmatic reforms that really reflect the conditions we are seeing on the ground and it was a way for them to step up and do something good for consumers as part of that relationship. I think they deserve a lot of credit for being there when we needed them. Ms. Bach stated I think as Asm. Cooley knows from CA some of these reforms that got put into legislation started with a voluntary agreement that Cmsr. Poizner had negotiated many years ago and insurers found they could live with the reforms so they proceeded to legislation. We tried that and the idea here is not to impose onerous requirements on insurers that are going to make it harder to do business particularly in light of their legitimate concerns of increased risk due to climate change so it's a good balance and is the right approach and this bill has a healthy balance.

Asm. Cooley sate that UP grew out of the Oakland hills firestorm of 1991 which was shocking at the time and now much has superseded and UP has been very active in CA since then. Ms. Bach stated its been our honor to work with you especially since I know you have a very deep understanding of insurance marketplace forces and that has been helpful.

Sen. Mary Felzkowski (WI) stated that my one concern and question is you are going in and legislating this and basically altering the insurance contract and saying you can include coverage a for coverage b and you are going to pay an additional up to 24 months of loss of use on a homeowners policy – are you at all concerned about the actuarial that goes along with that and whether companies are going to be able to sustain that in these situations or how do you address that issue. Ms. Bach stated that the OR bill doesn't mandate additional so much dollar amount as much as additional time so it doesn't say the insurer must provide a dollar amount they just have to make that dollar amount available for a longer amount of time. Also, insurers did not seem to have any problem adjusting to a whole series of reforms that were implemented in CA over the years by adjusting their rates and because it's not retroactive and primarily relates to giving the policyholder just more time and flexibility and not necessarily more money it doesn't seem like it's had a problematic impact on rates other than the problematic impact that all these wildfires are having. Rep. Marsh stated that it was very reassuring to know that CA had preceded us with these reforms and have been able to sustain them and sustain coverage as we also knew that many insurance companies offer one or another the reforms that we were

proposing so what we were trying to do is establish a baseline across all companies so that there was really no question that a consumer would get adequate time to rebuild or to cover their expense or ability to rebuild in a different location but we know that insurance companies already do these things in many cases. And still even though wildfire loss is huge across the state the experience of loss is still quite minimal if you look at the full docket of insurance policy coverage so the importance of having adequate coverage for a person when they are at the worst moment of their lives and absolutely in crisis seemed much more compelling to the legislature than worrying about whether or not there would be some impact on price down the road and I would note that the legislation was highly bipartisan I'm not sure that we had a handful of legislators in opposition.

Rep. Matt Lehman (IN), NCOIL President, stated one concern I have and I don't know if you addressed it in Oregon is as a broker we already have a struggle to get people to insure at an adequate limit so you began your presentation by showing the number of people who were uninsured at that time of a loss. The majority of those I see today is that it's their decision to underinsure and we push for higher limits and they choose lower limits because they think they are over insured until they have a loss. Does this not encourage underinsuring if I know I can simply pull my other coverages over if I need them because I think that would be a concern if I can take my coverage B of \$30,000 and underinsure by \$30,000 knowing that I'm going to get that extra \$30,000. That kind of goes to the contract issue and disrupts that claim so I'm curious if that was addressed. No one is forcing people to underinsure and if anything the carriers today are moving in the opposite direction of what I'm seeing in Indiana.

Rep. Marsh stated certainly getting people to get the right kind of coverage was an important goal for all of us and that was an important component of the bill to require insurance companies to offer consumers at every other renewal some basic info of what it would cost to replace their home. We did discuss with insurance companies and had a little bit of pushback on the question of combined coverage but the idea that someone would be so calculating as to think in the case of full wildfire when everything on my property is destroyed I'll be able to use that coverage from another building with the main building I think just doesn't hold water in terms of the consumer's approach to it I think there are very few consumers who are going to assume everything on their property is going to burn down in a wildfire more likely they are going to have a kitchen fire and their house is going to burn down and they are not going to have any combined coverage to draw upon in a case like that so when we sat down and talked it through with companies there just wasn't enough there to worry about.

Sen. Bob Hackett (OH) stated that it's not going to be retractive as you said so the insurance industry is paying premiums so if you expand coverages to allow for more coverages the premium is going to be expanded but they still have to get the premium increases through the Department of Insurance in CA so what has the experience has been has the DOI played hardball with them in CA? Asm. Cooley stated that definitely they played hardball and that's been a part of it is taking a lot of conversation back and forth. The change of CA to the elected insurance commissioner has impacted a lot of the regulatory environment and certainly the post disaster environment so it has been a challenging time and we actually had an insurance commissioner get in trouble because he crossed some lines he shouldn't have in terms of some post disaster conversations in terms of playing hardball but there is vigorous advocacy on both sides but it is often the case of once it gets resolved it's been resolved fairly amicably in the legislature. Ms. Bach stated that my understanding is that 91% of the rate increase applications that have come in since the last campfire in Paradise have been approved so I think the process is working somewhat well for the insurers although not perfect of course as Asm. Cooley referenced.

## UPDATE ON NCOIL FAIRNESS FOR RESPONSIBLE DRIVERS MODEL ACT (MODEL)

Rep. Rowland stated that Sen. Shawn Veda (ND), sponsor of the Model, will provide us with an update on where we are with the status and development of the Model. Sen. Veda stated thank you Mr. Chairman. I'll be very brief – I just wanted to provide the Committee with an update on this Model which is in your binders on page 329. As I stated to the Committee at its last meeting in April, the Model is intended to be viewed as the next step in support of “no-pay no-play laws” which NCOIL adopted a Resolution in support of in 2014. The Model, and the laws in the approximately 10 states that have similar laws, including my home state of North Dakota, prohibits uninsured drivers from collecting the benefits of a system in which they do not participate. Specifically, the Model - subject to certain exceptions - prohibits a person, or personal representative of a person, who was an uninsured motorist and who sustained bodily injury or property damage as the result of a motor vehicle accident from recovering non-economic damages for the person's bodily injury or property damage or death.

The discussion of the Model in Charleston generated a vigorous dialogue among Committee members and while such a dialogue is extremely healthy and is what our Committee meetings are intended for, I believe it rose to a level where it indicated that we are far from reaching the level of consensus needed to move the Model forward in a meaningful way. Accordingly, following the April meeting, I directed staff to research the relationship between the level of penalties for driving uninsured with a state's uninsured motorist population, as well as the cost of those penalties versus the cost of compliance, with an eye towards taking a step back and examining the overall issue of uninsured motorists knowingly driving uninsured. That research is before you. I will be discussing the research with staff to discuss what the next best steps are for the Model. So, for now, the Model and issue are on pause, so to speak, and I look forward to having them back on the agenda at the Committee's next meeting in November for an update. One query I propose for the Committee to consider is if the problem we're looking to address is reducing the percentage of the uninsured motorist population, should the statutory penalties for driving uninsured simply be increased? I ask that you consider that question between now and November and please reach out to me and staff with any suggestions or comments as to what the best path forward and approach is. Thank you, Mr. Chairman.

## DISCUSSION ON WARRANTY LEGISLATIVE AND REGULATORY LANDSCAPE

Greg Mitchell, Esq., Chair of the Insurance Industry Group at Frost, Brown, Todd, LLC, stated that he is joined by Eric Arnum, Editor of Warranty Week, and they are privileged to provide an intro and overview of the warranty legislative and regulatory landscape which would be a very deep subject and we'll try and provide it at a level of understanding of consumer and market perspective. Just in simple terms and using perspective without picking on Apple here's an iPhone so with it comes a warranty and Apple provides an express limited warranty provided under the Uniform Commercial Code (UCC) which is a law in all of our respective states that provides for the manufacture and distribution channel of what the manufacturer distribution channel promises will be a performance and fitness for purpose of how that good product will operate once it's in the consumer or businesses' hands. What has evolved over a period of time has been the development of basically third parties that have looked at what's developed in the world of warranties and has developed additional services and benefits of which has been provided by third parties and we start to creep over in the world of insurance. What has developed in the regulatory landscape because it would very much be impractical in this world of insurance and insurance regulation in dealing with a service contract extended warranty with the full provisions of insurance. So back in approximately 1995 the NAIC with some industry development created the first NAIC model act that basically provided a carve out of the definition

of insurance so as we look across the landscape and in the slides we'll have an overview of state approaches a number of states adopted the model but a number of states have taken all kinds of different variations from IN which is done by bulletin a carve out of insurance to other states that have very in depth regulations and statutory provisions a lot of which are regulated by the DOI just like the insurance side so it runs the gamut but in principle it stands for its separately stated consideration and for a separate time period so there's a lot of creativity and benefit which consumer have by virtue of the development of what we refer to as extended warranties and service contracts.

What translates that kind of what we refer to as quasi insurance because of the carve out that changes that from an extended warranty or service contract regulated product to a world of insurance so if we take that same element and we say Apple provides the warranty Apple actually provides their own extended warranty service contract so you can pay an additional statement of consideration by Apple of which they'll then cover across their warranty for different provisions that will fill the gaps of which the warranty doesn't cover that you can then do by extended warranty to provide additional benefits that you can as a consumer or small business want to include. If we add into the contractual language that the consumer/small business receives loss and theft we now switch it over to the world of insurance and all of these provisions really depend upon what is in that piece of paper that's handed over that's the world we live in of what are the details what are you saying and promising to your customers that will develop as to where it fits into this regulatory landscape.

So as we sort of break down where we fall from policymaker's decisions of where states have gone about on the warranty side an Original Equipment Manufacturer (OEM) your car manufacturer provides the warranty; your manufacturer refrigerator provides the warranty. Its two party and the consideration is part of that purchase of that good its simple and uniform. We come over to the world of extended warranty service contracts we now start to break down of where do we want to have financial responsibility; where do we want to have perhaps reserves set aside for what those future losses may be on those benefits you've promised in the future; where may you want to have disclosures provided to the consumer or small business; where may you want to have other regulatory provisions including a few states have adopted licensing of sellers so you can see it sort of runs from insurance light to getting really close to being regulated as an insurance product as would be referred to as primarily in CA and FL. And then we get over into the world of insurance where we start to add benefits that have and are triggered by fortuitous events that is risk dispersion and risk distribution where you are spreading that transfer of risk and providing benefits which are outside of the term of the extended service warranty contract and I have to caveat that because as the laws have developed and continue to develop down these different industries you start to see creep of what is allowed to be offered whether it's accidental damage from handling it's not the product it's simply you drop the iPhone in the toilet as may happen or other things where you start to pick that up in this middle regulatory silo versus what would be in some other considerations be considered to be an insurance product i.e. triggered by a fortuitous event I dropped it on the toilet and didn't expect it and maybe or maybe not I could have prevented it and you start to see a lot of evolution depending upon what state we're talking about down through that cycle.

So it really kind of breaks down into multiple cycles and Mr. Arnum will go into more about where we see the industry is and has evolved in substantial use and continual reception by the consuming public whether a consumer household or a small business into a couple of different channels one of which obviously is consumer products and for the most part there are regulated kind of in their own window and have different businesses that have arisen that support that part of the industry segment and may include Apple which could fall on the consumer side or on the

spectrum of business to business side where a company may buy 100 iPhones or Samsung or pick your company that may do it and all of a sudden it's a business to business contract. Then you have really a whole different cycle in the home warranties and a number of states regulate that separate from the consumer side and then a whole totally separate industry really on the vehicle service contracts down through the OEM manufacturers like Toyota and Nissan and Porsche and others are going down through and now we're seeing a development of the industry like on the vehicle service contracts for previously owned cars so it will be certified previously owned automobile and you'll put a warranty over the top of that and may then add and sell the consumer an additional extended warranty for separately stated consideration above and separate from the purchase price so you can see you could have multiple products regulated differently and from the consumer's perspective they don't understand the backend and it's the front end of the regulation and policymaking decision that really depends upon kind of how everything is laid out and how effectively it's working.

Then we switch to we've seen a lot of development over the last decade of business to business where businesses as well as family households want to have basically holistic approaches to service. Let's just say I'm a big company and have a whole bunch of warehouses and I have a big HVAC system sitting on my roof and maybe I want outsource it and enter into a service contract with a company that will be responsible for making sure the HVAC on the warehouse operates efficiently and in use at all times so you can see how it will devolve into the world of business to business. On the area of business to business a number of states when they developed the model law there were footnotes or notes of drafting of where statutes simply carved out consumer products of where it totally carved out the entire area of service contracts so some areas in some states respectively still have the issue of the business to business could be considered to be an insurance product and it gets a little complex and it's the world we live in but it's one in which I think over the past year and a half as COVID indicated consumers are really relying upon products such as these getting the holistic approach, getting service and knowing what to do and what's covered and transferring the risk just like any other type of third party transfer.

This is just a general slide that talks about the overlay of players in the world of extended warranties. Same with warranties you have the manufacturer and the customer administrators similar to like a TPA on the insurance side in health insurance; sellers; obligors and some states refer to them as providers; and then this is also in the same world of insurance because when we talk about financial responsibility the states that have chosen to regulate and license there are varying degrees of financial security requirements which are present. We get to varying degrees of financial responsibility and a lot of states have developed like IN used by bulletin which is if you have a contractual liability policy that is a policy of insurance that an insurer licensed admitted in some cases excess or surplus has issued that insurer will stand behind all of the contracts that the obligor provider has entered into then it will be carved out of that insurance regulation obviously that DOI will still regulate that contractual liability insurance policy and then the various forms of policy provisions whether its required to cover the first dollar that is the carrier will be on the hook at the beginning most states have where a carrier is responsible after they have attempted to have their service or repair or whatever was promised in the piece of paper covered by the obligor and if they don't after 60 days the carrier is responsible to pick up on the backend so the consumer small business actually gets covered. Other states have provisions such as a funded reserve account where you treat much like a reserve from an insurance company based on the ratios of how much funding reserves of contracts that are open and still in force. Others have various forms of deposit and reporting requirements. A number of states indicated here also require companies to file their terms and conditions either for review and approval so the agency will review those approve them if they comply with the

regulatory structure in their state others it's file and use you file and it's on record it runs the gamut as you can see and this is just a high level overview kind of across the board it does not even deal with differences when you break down the variations between the consumer product channel the home warranty channel and then with the vehicle service contract channel they each can take their own distinct regulatory differential depending upon what state we are talking about.

As I personally have seen over the evolution of development you know it's gone from the point of view of companies thinking its additional revenue source i.e. that additional consideration that is required to like companies like Apple, Microsoft and others where it really is customer service it's that providing the customer with very good benefit of making sure at all times whatever that product is they purchased will be operating and functioning to their benefit so it's looked at more of the overall consumer experience than it has with respect to normal I've paid, I've got a contract, I'll pay claims, but really is part of their overall business strategy.

Mr. Arnum stated I'm going to fly through a whole bunch of stats and numbers it may be like drinking out of a fire hose so I've provided copies of all slides to NCOIL staff so you can take home copies if you need to and you can call me if you need a deeper explanation. What we're looking at here is the dashboard for product warranties form 2003 to 2020 and I'll just give you the latest - warranty claims in 2020 were \$23.8 billion that was down around 8% form 2019; warranty accrual fell only about 1% to \$24.6 billion; warranty reserves which is the balance in the fund rose surprisingly to around \$47.6 billion; the important number I want you to take away form here is in the lower left hand corner warranty products sold – this is the amount of products sold worldwide by the companies that report their warranty expenses it fell by \$200 billion in 2020 to \$1.7 trillion so that is the sector of the economy covered by product warranties. Now let's skip to extended warranties and service contracts and I should mention the slide before is based on SEC 10k and 10q financial reports and annual reports. Here we are looking at estimates form Warranty Week the industry newsletter but these estimates are also based on hard numbers coming from some of these companies and I'll show you some of them in a second. What I want to point out to you here is that we're looking at eight different sectors of the consumer portion that Mr. Mitchell was talking about.

In 2020, five were up and three were down. The ones that were up are consumer appliances, consumer electronics, mobile phones, home warranties and personal computers. The three that were down were vehicle service contracts, jewelry, and furniture. The total in 2020 spent by consumers on extended warranties in the U.S. was \$47.7 billion that was down fractionally around 0.6% for 2019 but if I can jump back a second you can see clearly that 2019 was the peak for the industry so 2018 and 2017 it seems like we are on a plateau right now. Here are the shares a little hard to read but I'll tell you that vehicle service contracts it's the bulk of the industry that's \$16.5 billion followed by mobile phones as Mr. Mitchell mentioned sold by mainly the phone companies that was around \$11 billion and then consumer electronics is up at the top but a lot of that is also mobile phones so if you took the mobile phones sold by the companies and Best Buy and Apple and others and you added in the vehicle service contract you have about two thirds of the whole pie there. Jewelry was \$2.6 billion, home warranty around \$3 billion, appliances as sold by Sears or Home Depot or Lowes was \$1.75 billion and furniture was \$1.15 billion. These are my estimates for the industry for last year but the point I want to make to you is although it did fall a bit it was really only a little bit and what I'm about to show is numbers coming from the companies themselves. This is Lowes companies obviously a very large retailer of hardware, appliances and lumber and not so much electronics but lighting and power tools and gardening supplies they sell a whole lot of extended warranties as well and what you can see there is for the second quarter of 2020 when we were all in lockdown they set

a record for revenue in warranties of \$167 million that's the second quarter of 2020 the months of May, June, July as it's a little staggered. They certainly didn't say anything about that in the press as we were all locked down but that's the truth straight out of their books.

America Home Shield is the 500 pound gorilla of the home warranty industry and they have almost half the market to themselves and that you see there is a gradually rising seasonal pattern and there's no mistake to it you're looking at 2016, 2017, 2018, 2019, and 2020 it's gradually rising and it's seasonal they have two good quarters followed by two slow quarters followed by two good quarters followed by two slow quarters it's a very clear pattern but the point I want to make is its gradually rising over time and there is no recession on that chart. American Home Shield in 2020 reported \$1.47 billion in revenue in home warranties up 8% last year. Assurant Inc. a very large insurance company what we are looking at here is just the automotive part of Assurant and the jump from where they were to 2016/2017 to where they ended up in 2019/2020 was mainly because of the acquisition of the warranty group and the addition of that revenue which was very heavily automotive boosted them up the point where they are at now but once again you can see quarter by quarter going back 2.5 years it's gradually rising revenue leading to what you see in 2020 in the second half of 2020 again record revenue. This is net earned premium, fees and other in case you want to verify by looking at their financial statements. In 2020 they reported \$3.7 billion in net earned premium and that was up 8% so as I said you can get copies of the slides and if you need deeper explanations about them please contact me or Mr. Mitchell.

Mr. Mitchell said we also provided to NCOIL staff some selected statutes and regulations just to provide some info of how different states handle these issues as well as the NAIC model.

Rep. Lehman stated that when we think of insurance it's a highly regulated industry obviously warranties are not because they are carved out – are we wanting to bring that in because there is a deficiency? Is this compliant driven? I bought a DVD holder and when I checked out they asked if I wanted a service plan for \$3 and I said no it cost me \$8 for the DVD player but the question is do I want the DOI regulating that so I think the question is where is the balance of warranties are not insurance products they dance that line but are we creating a regulatory format for products that really are just going to be more problematic to regulate than actually allow them to do what they have been doing.

Mr. Mitchell stated that personally we've been asked to provide a historical overview and I'll leave that to you as to where regulation should fall and as I mentioned IN has carved extended warranty contracts out by bulletin so I'll leave that to you if its appropriate and complaints in the IN market is probably a question for the DOI but some things are working very well and we've got different segments to the consumer segment to the vehicle segment to home warranty segment they all kind of have their own different players and different operations and back end a number of carriers have what we refer to as obligors they are actually on the contract themselves and they will have administrators so they will administer those so there is some sort of pulling in the insurance channel but I'll be the first to admit the regulation varies dramatically from state that do not regulate at all to states like IN by bulletin as long as you have a contractual liability policy in place to states like CA and FL that regulate it almost as though it is an insurance product an in FL its regulated by the Officer of Insurance Regulation (OIR) and in CA it breaks down some is regulated by the CA DOI and the consumer side is regulated by the Bureau of Household Goods and Services so it varies and just with any product area and areas you'll have good players and bad players where that line of regulation is very complex - most of the time we look for guidance which is just that, guidance, so that when we are building products we try to build them in a compliant manner. I started 25 years ago when cell phones

were a brick and built the first extended warranty coverage where we really didn't have law and so how do you tell businesses how do you develop something that consumers were asking for and then if you put loss and theft on it you couldn't have somebody that's a store cashier at a cell phone store get a P&C license it's not practical so the industry has evolved would it be helpful to have it evolve more and be more uniform, always – even though it's kind of against our interest as regulatory lawyers but we're trying to provide a good overlay so you all can perhaps have a good discussion on where the industry is and where its operating efficiently or not.

Mr. Arnum stated that I'd like to add that as my data showed you last year in a very high level fashion we sold less product but we sold more protection so therefore the value of protection must have increased in the eyes of the consumer and I think that consumers are smart enough to realize that a \$3 protection plan on an \$8 product is not a good value and in fact I'll do you one better I once saw a clock radio that was on sale for \$19.95 and the extended warrant was \$20 so a rational consumer would essentially buy two and put one on the shelf and when the other one breaks just take it down so I think consumers are aware of the value or lack of value. Mr. Mitchell stated the flip side is referencing my wife and children she wants someone to take care of something – is the AC working or not she wants a number to call. It's simple if someone can provide an extended warranty that will make sure it operates at all times especially as people are living there over the last year constantly that's very important so it's got a lot of consumer uptake and we've seen a lot of evolution of things that were about revenue generation to really more of the experience in providing really benefits and value to the consumer.

Rep. Steven Meskers (CT) said the comment about the clock radio was interesting and I guess I take the opposite point of view of its \$19.95 and only lasts six months maybe I want a warranty and I think what the issue is with warranties has to be a claim and loss history on the performance because when you go to consumer products if you've got a shelf life on a washing machine and you buy a warranty for five years and the average life expectancy is 5.5 years it's just part of the profit margin so I think the claims loss history is probably something we need to think about whether it's in the insurance regulatory environment or the consumer protection environment if we don't collect data on losses and claims we're essentially offering a product to consumers for a warranty that's not needed because the product shelf life extends beyond what warranty we are purchasing and that may be a question of do you define it as consumer fraud or how do you build a rationale framework for warranty business as it sounds like there isn't one from what I'm hearing. Mr. Mitchell stated that from a legal side I'd say that's not necessarily always the case because the warranty that may have come with that appliance may be a year and within that year labor is only included for six months or 90 days and from my wife's perspective she wants to make sure it's working to the life expectancy it's her experience not the experience across the spectrum and that may be peace of mind she's willing to pay for.

Mr. Arnum said I'll give you two real life examples and hide the names so there are no innocent or guilty parties. A very large insurance company 20 years ago went into the used car extended warranty business and lost \$500 million very quickly in a couple of years. A very large consumer retail electronic company started selling extended warranties on rear projection tv's the ones that had the big screen and projection was behind it well those bulbs burned out pretty quickly and those bulbs were \$400 each so if you bought the extended warranty and kept on getting new bulbs the retailer took a bath and the losses were incredible so my point to you is that it is equally likely the retailer, obligor or administrator or insurance company will underprice the risk and therefore lose money it's not always a money making game sometime a money

losing game because of the lack of info as you said. Consumers may not know the risk but sometimes the retailers don't either.

## MEASURING RISK POST-COVID

David Dean, Chief Strategy Officer at Strategic Risk Officers, stated that we've developed an organization where we've morphed into a fintech company and developed in the space of enterprise risk mgmt. which is a big word and very confusing in the insurance industry and any industry for that matter but what we've done is developed a platform and put yourselves in the shoes of the CEO or BOD and you are trying to understand the landscape and risk of your organization in any industry. We have developed a methodology of aggregating the key data that you need to make big decisions and put guardrails on your risk. Also from a regulatory perspective this platform allows and helps those decision makers to stay in line with regulatory expectations so what I'm going to do so is show a short video that gives you that 30,000 foot view of what we do and with me is Gary Preysner, Partner at Ironwood Consulting Group who is a subject matter expert in enterprise risk mgmt.. in insurance and specific to P&C so he'll give a brief deep dive into how the system works but it's literally a click, click, click to get down to base data so we start at the 30,000 foot view and work down. Most systems in organizations start down and work from the bottom up and measure every blade of grass and bring that up so we start at the top and we advise and help the c suite execs on what the key metrics really are that they need to measure to keep themselves profitable and regulatory compliant so with that I'll play the video and turn it over to Mr. Preysner.

Following the video, Mr. Preysner stated that I consult primarily with insurance and reinsurance companies in the U.S. and really across the world I'm a CPCU and I'm really interested in enterprise risk mgmt. and worked on it for a long time. Over the course of a few days we've had a very interesting and rich set of presenters and I would start by asking a couple of questions – what I heard in terms of major themes are fintech, probably market disintermediation through things like Lemonade and sandboxes and the existential threat of long term care (LTC) on reserves of the industry and in addition to that everyone has said an enormous thing that we don't have our hands around yet is Environmental Social Governance (ESG). What are we doing on environmental and social and governance and how do they all work with each other and I can tell you that primary carriers are worrying about this not as much as they should small mutuals don't have the resources to think about it primarily its being driven by the multi state multi lines and right now the people who are far ahead from my perspective are actually international reinsurers and that's percolating down to U.S. reinsurers.

But looking at it I would ask you as regulators how are you going to manage the tradeoff between the U.N. convention on human trafficking, vendors, work relations, slave labor, palm oil, extracting industries, firearms, diversity and everything else considering that you are coming out of clearing clouds from COVID where you still have to think about pricing, underwriting, distribution and everything else you have to worry about with an insurance company. Those challenges are great for you if you are sitting in the c suite or if you are the CRO or CEO and you have to worry about Sarbanes-Oxley, about Own Risk and Solvency Assessment (ORSA) you have those problems every day and they are problems and your problems are the same – how do we protect our policyholders and how do we do that in a world that's getting more complex and how do you how to measure the tradeoffs and how do you know which risks to start with first and honestly I think you're seeing a lot of people almost throwing their arms up saying our plate was full and COVID gave us a bigger plate and it heaped more onto it - what do we do?

Watchtower is one of the things that we've developed that we think actually begins to address that issue. What does Watchtower do and I think there are three things – 1.) it creates a single source of truth in terms of your key risk indicators and the things that you have to look at. This is extremely important and most carriers have as we said little pools of data spreadsheets everywhere and many times no consistent definition of risk or key risk indicators from one unit to another and a tremendous amount of time is spent actually making sure that the definitions are common across the units or recasting them. I've heard so many people talk about even in this presentation about we're going to build a data lake or improve it. Clients, organizations, and regulators are drowning in data lakes and they don't need data lakes and more data they need the info that can be derived from that data to make decisions or to monitor progress. One thing that is very important is that we created a single source of truth. 2.) we've all gone through annual audits where we have to go thorough regulatory reviews and they typically in my experience about 25%/50% are actually involved in data collection before you actually get to an audit and what you want to audit. This streamlines that process and will probably cut it in half and provides standard executive level dashboards and most importantly within the carrier and regulators and rating agencies it provides a consistent framework by which organizations can build a risk culture and risk awareness in ways that simply they don't have now which is an enormously powerful thing for them and you.

I'll say that the software is not vaporware and not something like a gigantic system that's in somebody's eye or mind that hasn't been done. First of all, SRA was designed by bank regulators such as yourselves for reporting purposes for regulators. The point of the slide is to simply say its in between somewhere 40 and 50 banks being used every day to monitor risk and banks that go from less than \$2 billion to more than \$10 billion. It's a flexible system and basically designed for risk monitoring. Working with SRA I've taken my insurance expertise and we've built a piece of software specifically designed to help you monitor the risk first within the P&C organizations but then we'll also expand to life and health. So this system is proven and it works. What is it well if you look at the slide its essentially a model we've created that details the 13 or 14 major areas of risk and defines the subareas of risk and defines what the key risk indicators you need to look at to make sure the carries domiciled in your regulatory area are actually on track and if you look at it we can go through it but the specific P&C ones would be liquidity and solvency, pricing and underwriting, claims distribution, credit, legal regulatory, and reserving. All the others are ones that any org has to deal with so if you are using this for reinsurers or general agents strategic, reputational, operational, cyber, all the things that people are worrying about we've put together the risk indicators for them, the sub indicators and we've given them ways that you can calibrate them qualitatively and quantitatively to see a.) where the org is and b.) we've provided definitions to show where the board would want to be so you actually see where you are as an org and you see where the gaps are.

This could be reported quarterly so when you do an annual audit you could do a quarterly audit. You come in and prioritize the area where you have gaps and prioritize where you don't have gaps and that gives you your audit plan and focuses you exactly on what you need to look at. This talks about a few of the banks there is not a lot to this slide I can go over it in detail I just want to go to the bottom statement from a bank that says overall it's made it easy for the mgmt. team to discuss risk in the same language - that to me is the critical portion of what this software does and what we as an industry need to be better at and that is discussing risk in the same language with the same definitions consistently across orgs and within the org. We had a discussion earlier on work comp and COVID and what was going on people said there is tremendous info and our experience is that is only step one after you have it together the development and journey you need to go on is basically take it and synthesize it into something useful and bring it forward we call that process turning actionable information into decision

starting with hindsight. You see where you have a problem and look back to see what happened. When you have insight you begin the process of mitigating it and finally when you have foresight you begin the process of anticipating risk and monitoring it and improving performance proactively.

I'm not going to spend a lot of time on this except to say that orgs go through that hindsight, insight, foresight and development. We've put together on the next slide basically a very detailed set of definitions of exactly where carriers fit in this maturity journey and you can take this to any carrier and we have detailed definitions of each one and you can slot them in and see where they are and it will prioritize where they need to go and what they need to do with audits and how they need to satisfy what they need to do to get a world class risk enterprise mgmt. system. Overall, better bottom lines, better risk decisions, much easier regulatory reviews and much greater value this is incredibly important if we are going to get our hands on risk overall as an enterprise and industry as the risks become more sophisticated our monitoring mechanisms need to as well.

Mr. Dean stated that just as an anecdote over the last 60 days we have got calls from Google as their new CFO was with TD Ameritrade as their CRO and he used Watchtower at TD and when he went over to Google he brought it inside and they came back and said we had the best aggregation methodology for the CRO and board reporting they have ever seen so we now in the past 60 days are standing up Watchtower in Google so it's a huge product but that kind of validates in a big way where the product is and how valuable it is and how deep and wide it can go in an org so we're excited about that and we're excited about bringing it into the insurance industry and looking for better things to come. Thank you for the opportunity as we really appreciate it.

#### CONSIDERATION OF RE-ADOPTION OF MODEL LAW – PROPERTY/CASUALTY FLEX-RATING REGULATORY IMPROVEMENT MODEL ACT (ORIGINALLY ADOPTED 2/27/04; READOPTED 11/20/11; READOPTED 7/17/16)

Hearing no questions or comments, upon a motion made by Asm. Cooley and seconded by Rep. Lehman, the Committee voted without objection by way of a voice vote to re-adopt the Model.

#### ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Cooley and seconded by Rep. Lehman, the Committee adjourned at 4:30 p.m.