NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
LAS VEGAS, NEVADA
MARCH 5, 2022
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at Harrah's Las Vegas in Las Vegas, Nevada on Saturday, March 5, 2022 at 9:00 a.m.

Kentucky Representative Bart Rowland, Chair of the Committee, presided.

Other members of the Committee present were:

Asm. Ken Cooley (CA)
Rep. Martin Carbaugh (IN)
Rep. Matt Lehman (IN)
Sen. Robert Mills (LA)
Rep. Brenda Carter (MI)
Sen. Paul Utke (MN)
Sen. Jerry Klein (ND)
Sen. Shawn Vedaa (ND)
Asw. Maggie Carlton (NV)
Asm. Kevin Cahill (NY)
Sen. Bob Hackett (OH)
Sen. Jay Hottinger (OH)
Rep. Brian Lampton (OH)
Rep. Forrest Bennett (OK)
Rep. Carl Anderson (SC)
Rep. Tom Oliverson, M.D. (TX)
Sen. Mary Felzkowski (WI)

Other legislators present were:

Asm. Tim Grayson (CA)
Rep. Kerry Wood (CT)
Rep. Brian Lohse (IA)
Rep. Deanna Frazier Gordon (KY)
Rep. Kyra Bolden (MI)
Rep. Kelly Breen (MI)
Rep. Jim Murphy (MO)
Sen. Paul Lowe (NC)
Sen. Randy Burckhard (ND)
Rep. Emily O'Brien (ND)
Asw. Michelle Gorelow (NV)
Rep. Wendi Thomas (PA)
Rep. Lacey Hull (TX)
Rep. Dennis Paul (TX)
Sen. Janis Ringhand (WI)

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel

QUORUM

Upon a Motion made by Rep. Carl Anderson (SC), and seconded by Rep. Brian Lampton (OH) the Committee voted without objection by way of a voice vote to waive the quorum requirement.

TELEMATICS: TURNING MOBILITY AND DRIVER DATA INTO MEANINGFUL BEHAVIORAL INSIGHTS

Megan Klein, Director of Actuarial and Data Governance at Arity thanked the Committee for the opportunity to have her and her colleague, Tony LaMarca, Director of Product, Insurance Solutions, speak and stated that today we're here to educate more on how telematics can be used for auto insurance rate making and really touch on the benefits that it provides by way of providing transparency as well as encouraging driver safety. I'll be covering the prepared materials that we have and Mr. LaMarca will be available for questions given his expertise related to our insurance products and specifically his oversight on how we develop our mobile app and collect data through that source. As we get going, I did want to cover an overview of who Arity is so you understand the experience we're drawing from today. Arity was founded by the Allstate Corporation to develop models and software that help us collect data from sensors in vehicles and mobile phones. And we use this data to derive and create actionable insights to understand driving behaviors and the risks that they present with an ultimate goal of reducing that risk and enhancing driver safety.

We're not an insurance company, we are a mobility data and analytics company but we do work with insurers in the broader insurance industry partnering with many different insurance companies to help them collect telematics data to power their programs. And we operate as a licensed rating service organization. This allows us to create and file our driving behavior insights with Departments of Insurance such that our insights are pre-approved. So, insurance companies can incorporate them, especially those that don't have the resources or expertise to understand this type of technology. They can incorporate our insights as part of their premium calculations. Now, you can see here, we also operate across a couple other industries but today, we're going to focus on the work that we do with the insurance industry. So, with our experience we have experience in both the data collection and the analysis side of the shop as well as with filing and working with regulators so we have an end to end view of how this works for insurance.

With that, let's talk about what telematics means to insurance companies most often today. When we think of telematics for insurance we often think of usage based insurance, or UBI. And often those terms are used interchangeably. You'll hear UBI in telematics used in conjunction and traditionally, for rate making insurance companies use three general themes of the policy to create their prices. That is who's driving, where insurance companies will look at broad based categories about how old the insured is, what's their marital status and their financial stability and look at other information like what their accident or violation history is. They'll also look at the vehicles that are being insured. What is the insured driving? Because cost of repair and safety can vary greatly by vehicle type and model year. Insurance companies will reflect that difference and potential cost in their premiums. And then lastly, they look at the level of coverage beyond repair costs. There are other things that influence the cost of the claim when it occurs. That can be the insured's limits and deductibles that are selected as well as the coverages that are ultimately incorporated as part of a policy.

And all of these traditional factors make sense. They're grounded in actuarial principles of matching the risk that they present with the ultimate rates that are charged but with UBI we can incorporate merging factors, and incorporate additional information. We'll still use information about what vehicles are being driven, as well as the level of coverage but now, instead of using those broad based categories of who the insured is, which do represent some indicators of what the driving behavior risk might be for a larger population, we can look at how an individual is driving and how much they're driving. And a good example of this is when we think about youthful drivers. So, in traditional rate making, when a new teen becomes licensed, we often see premiums go up and that's because of the inexperience of driving that these new risks present. And we see that, insurance companies see that. They have increased frequency of accident and higher cost of claims on average within these groups. But, if you look in that youthful population, there's still a wide range of driving behaviors. Some of them are driving more safely. They're focused, not using their phones while driving, and maintaining safe driving speeds, driving at good, safe, consistent speeds. And others are riskier. And so, with telematics, we don't have to just increase premiums because we're adding a teenager on a policy. We can reflect those safer behaviors for some teens to reduce the amount of premium increase that that policy might seek.

And then an additional benefit beyond understanding how an individual drives is just the greater transparency and more control that these behaviors provide. They represent more intuitive types of rating behaviors that really resonate with customers. So, as we think about these behaviors, I wanted to provide a glimpse into many of the behaviors that are used in today's programs. No one company is using all of these behaviors but these are representative of those that are commonly used today and I like to categorize them into four main categories. The first is how someone drives which represents those risky or safe behaviors, proactive actions while driving. This includes maintaining those safe distances so you're not slamming on the breaks often. Also, putting down the phone and not driving distracted and monitoring the speed that's being traveled. And then there's how much? Now, this represents the overall exposure on the road. Intuitively, someone who drives more, or more often, represents a higher risk of getting into an accident than someone who's not driving and interacting with other vehicles on the road as often. And therefore, insurance companies want to reflect that different exposure to risk in the premium. When reflects safer versus riskier periods of driving. For example, driving during those heavy traffic periods represent an intuitive risk exposure of potentially getting into an accident because more vehicles are on the road and there is more of an opportunity to potentially have a collision.

And then there's the late night, or overnight periods and these statistically are shown to be the highest fatal accident periods in part due to reduced visibility because driving at night, with the dark, it's hard to understand your full surroundings and there's more opportunity to encounter fatigued or drunk drivers. And then lastly, and this one is not as commonly used, but there's where someone is driving which can provide additional contextual information about whether the individual drives in very congested areas. So, we talked about when, during heavy traffic periods, but also are you driving in those congested areas where vehicles tend to be more concentrated or there's pedestrians where there's a higher potential to have an accident, and an accident that results in injury. So, we have these behaviors, but we have to have a way to understand these behaviors and understand how to capture this data and there are three main mechanisms for capturing data. The first is through an onboard diagnostic device, or commonly called OBD II and this is a device that can be plugged in directly into a port in the vehicle. And then we have embedded systems within the vehicles themselves and these are available through those newer connected cars that can identify and understand real time information about driving and surface that back.

And then we also have mobile applications. We're able to use sensors in our phones to understand vehicle movement and driving behavior. When we look at these three data collection methods, the mobile phone source is the most common source of data collection used today by insurance companies because of the ease and broad availability that it provides. When we think of OBD II devices, those are costly and harder to administer because you're needing to ship out physical devices to the insureds that are opting into programs. And with embedded systems it relies on those newer connected cars which they're growing in this space but have yet to fully penetrate our fleets and there's some additional hardships in obtaining that type of information from the manufacturers to incorporate as part of rating. So, mobile applications provide an easy and low cost option because many insureds that opt into these programs, or want to opt into these programs have smartphones already and are very used to downloading applications and it's a way to get these in the hands of the insureds very easily. So, that was a very quick overview on how this data can be collected, what data is collected, and why it's used by insurance companies for rating. But we think it's really important to talk about the benefits it provides to help us all understand why companies and drivers are interested in these programs and how we should support its continued growth because of the benefits it provides.

So, I'm going to quickly touch on four major themes of benefits. The first one is the ability to charge more accurate premiums. The second is providing greater transparency and controllability and through that we're able to encourage and enable safer drivers. And then there's this allowance for additional services that insurance companies can provide. So, when it comes to charging more accurate premiums, when insurance companies are able to incorporate driving behaviors as part of their rating, they are able to better understand the risk that each driver presents and charge an appropriate rate for that risk. Historically we've seen in the insurance industry as insurance companies are able to best segment risk that means that insurance is more available in the marketplace because they don't need to underwrite against those poorer risks that they feel like they can't get an adequate rate for. And so, I'll walk through a quick example of what these more accurate premiums look like from the insured perspective. A caveat here, I've changed the names but these are two examples of willing employees at Arity that have provided their information to us related to their risk characteristics and for purposes of the example, I'll use Tracy and Heidi as their names.

So, here in the traditional sense, we talked about how insurance companies look at who the driver is, what they're driving, and how much coverage and we can see here there's minimal differences, those are identified in yellow. But between Tracy and Heidi they both have the same coverage, they have very similar vehicles and they're a very similar age. Now, what's not shown on the screen is Heidi has really good stories about the times she's been able to talk her way out of some speeding related tickets but because she was able to talk her way out of them, they don't show up on her violation history and you see she had a fender bender, but she didn't actually report that to her insurance company, so she also doesn't have an accident history. So, on paper these two risks look very similar and you can see they're charged very similar rates. However, had they both been enrolled in telematics programs we would have seen a different story. Tracy's commute is actually very infrequent. She works from home, and when she does drive it's often to and from the airport for work trips during off peak hours and she doesn't use her phone very often though occasionally she does and she rarely speeds. Heidi, on the other hand, the sweet talker, she actually drives more often during those congested periods and a lot more often throughout the day and she speeds quite a bit more often, as well as using her phone.

And you can see here with UBI insurance, Tracy could qualify for a fairly decent discount of around 20%. Heidi on the other hand could see an increase in her premium because of her risky behaviors even though she doesn't have that ticket or violation history because of the additional risk that she provides to an insurance company, they might reflect that in her premium. And hopefully, if she's enrolled in a program, she'll better understand these risky behaviors and implement changes to become a safer driver. Which leads us to our next benefit, which is the greater transparency and controllability that these behaviors provide. Now, when we think of some of our traditional characteristics like age, marital status, and even zip code, those are hard to change but when we think about these driving behaviors, many of them are within the driver's control. So, by elevating this information back to drivers and how this can impact their premium, people have more awareness of their behaviors and can actually make changes to lower their premiums.

Here are just a few screen grabs from Arity's mobile application and how we're able to surface this type of information back to users. And what insurance companies are able to do is actually provide information back to drivers on the trips that they've had, the behaviors that contribute to their premium and how that individual insured is doing related to those behaviors so they can understand how they can change to become better drivers. And the intuitive nature of these behaviors is resonating with customers as well. Arity regularly performs surveys to understand how insured drivers feel about rating factors. Recent surveys showed a consumer acceptance increase, a really steep one actually, in 2020 of these types of driving behaviors used in their premium in part because of the pandemic folks were more keenly aware of the amount of driving they were performing as well as the premiums they were paying.

And that customer sentiment has stayed increased in 2021 in terms of their acceptance but here on the screen is a different type of question asking about the importance of different factors in their pricing of auto insurance and how important they feel those factors should be. And what we see here is that customers feel like their driving history and driving behavior should be the most important factors whereas information about who they are they view as lower importance for determining premium which shows us that customers also agree that these intuitive, transparent and more controllable factors are things that they're interested in as well and with this education awareness of these behaviors and how it can impact their premiums ultimately it can create safer drivers as well. I think a lot of us have seen the recent statistics where traffic related deaths are really growing and we're seeing contributors to this surge being some of those controllable behaviors, like driving distracted or driving at high speeds and we believe that there is a need to encourage more safe driving.

There can be approaches to creating disincentives through punitive measures like new laws that will help reduce speeds as well as tickets for distracted driving but in addition to those types of measures, we believe we can actually provide an incentive for this type of safer driving through telematics. By providing or allowing insurance companies to rate on these types of behaviors it will encourage drivers to drive more safely all the time, not just in those areas when this type of behavior is monitored, and not just for those areas where people are pulled over and actually ticketed for these events. With telematics you actually understand how these behaviors are trending over time and here's a way through the mobile app that we can encourage and incentivize that safer driving. So, these are some examples of some of the distracted driving education and motivational notifications that Arity provides to its drivers where we can show them what distracted driving is, give them some coaching and information and also show their trend of how well they're doing in their distracted driving behavior over time. And then we can also provide additional nudges as well as the nice pings of you drove safe and didn't touch your phone this last trip. It helps encourage that safer behavior especially for newer drivers that need that reminder not to touch their phone.

And then lastly from a benefit perspective is the additional services that telematics enables insurance companies to provide and in this category we're thinking more along the lines of how we can better understand collisions and provide support needed just in time related to emergency services or roadside assistance. But additionally, based on sensor information or vehicle information captured, you can also provide different types of reminders for vehicle maintenance which also makes the driver safer. And a side benefit for insurance companies is it can limit that exposure for accidents. So, for our last slide, here are a few screens of some ways that we can power collision detection for insureds. So, just like telematics can allow us to capture speeds driven we can also capture when there's an abrupt stop and when we use contextual information surrounding that stop we can identify that a collision likely occurred and in those instances for consumers who have opted into this type of program, we can elevate information that allows them to request emergency services or roadside assistance and in some programs we can actually have maybe like a time boxed period where if we provide that notification and the driver is unresponsive or the user is unresponsive to that message immediately enact those emergency services. And we partner with one of the mobile apps that use our software to do this and it's really remarkable the stories that we've heard in terms of the lives that have been saved by using this type of technology to identify these incidents.

I'm hopeful that this provided a good foundation of education of how this technology can be used to power insurance company programs as well as the benefits that it provides in terms of the additional transparency and safer driving behavior. Because we want to continue to support the growth of these types of programs in the industry and we want to make sure that we're working on ways to not inhibit it's continued growth.

Rep. Rowland asked if some detail could be provided about what the app will show to the customer and then if it could be explained how that helps educate that customer or potentially change behavior of that driver. Mr. LaMarca stated that what we do is we take a look at what the customer has done in terms of their trips and after the trip has been uploaded and then analyzed by our backend systems, we can take a look to see if they have for example completed what we call a streak or have achieved some sort of badge. So, in the case where somebody has not touched their phone for example, in five trips, we also have a badge for ten trips, so on and so forth. We will send a push message to them after the fact when we know that they're not driving to congratulate them and encourage a positive behavior of them not using their phone, or having a perfect trip which would be considered a trip where they didn't have any events at all of either speeding or braking and they didn't touch their phones. So, we use those methods to encourage positive behavior and achievements to reinforce the good driving behaviors that we want them to continue to do.

Rep. Matt Lehman (IN), NCOIL Immediate Past President, stated that on one of your slides you had the different factors, and one of them was the various roads or dangerous intersections is calculated but then you also calculate distance and duration. Are there ever times where those are in the conflict with each other? For example, if I want to avoid a dangerous intersection that I would routinely have to go through, I may have to drive farther to get to work so now am I penalized for duration or distance but save money based on not going through that intersection? Ms. Klein stated that a good question - all of these behaviors are looked at in comparison to each other and so I wouldn't think of any one of these factors as uniquely impacting on their own. So, the example of the where you drive in terms of the congested area and the road types that are driven on might be looked at with the view of the duration as well to see how much it might impact the overall risk on the road. So, I can't comment specifically on which one might impact more because I don't have a view of that at hand right now but different scores and different companies might look at these in different ways and sometimes even combine these types of views to provide greater context. Another example is when we talk about different periods driven when you drive. We can look at how people are driving during those periods. So, these are just examples of the broad-based categories but they can actually be combined together to give an overall view of the behaviors intermixed with each other.

Rep. Lehman stated that telematics has been around for probably a decade now and being in the industry, we just don't see a high participation level. What percent of drivers participate do you think participate? I think we saw a trend going up when this began and then it has kind of leveled off. One of the concerns when this first began a decade ago was, if the data's clearly showing that this is a useful tool, will carriers get to the point of mandatory versus voluntary? Have you had any of those conversations with the carriers you work with? Ms. Klein stated that in terms of participation, and I'm not 100% sure of all of the numbers, but what we've seen in the range for the insurance companies we support is something in the range of I would say 10% to 20% which is pretty low. And insurance companies are looking to continue to grow these types of programs through education and partnership with insureds to help them understand the safety that it can provide. The expansion of these programs did start out with some strength in the beginning and we actually saw a big surge in interest actually with the pandemic as I mentioned before because people were becoming more familiar about their own changes in their behaviors and having interest in potentially participating in these programs. But some of the ease of mobile data collection has enabled some potential for greater growth as well.

In terms of your question about mandatory versus voluntary. Right now, with the insurance companies we've been talking about they're still interested in those voluntary programs but to the extent other factors change in terms of their ability to appropriately match rate with risk using the other characteristics that they're used to using, there's going to be additional attention brought to telematics because it is very predictive and provides this transparency. There's a question of how can we get this more prevalently used within the insured pool?

Mr. LaMarca stated that I'd like to add that one of the things that was difficult in the beginning was the OBD II type devices, programs were expensive to administer. With the mobile application experience you're able to scale the program much more than you were before and I think many insureds are starting to see that there are benefits from having that application on their phone. And I think some of the companies that we work with are starting to add these in where they didn't have the means or the resources before but by working with a company like Arity, they're able to finally take advantage of these types of programs where they just didn't have the ability to build their own mobile app. So, those things are helping to benefit I think overall the entire ecosystem.

Rep. Dennis Paul (TX) stated that regard how this app would work on your phone, how does it know that you're driving and if you're not just riding in a car? Mr. LaMarca stated that's a great question and the way that it does that is it, this is a little technical, but it actually registers with the operating system and says anytime that there's a significant location change that it would like to be notified. So, if you change where the cell tower is that you are connected to or if you go from being on Wi-Fi for example at home to only having a cellular connection, our application will take a look then at where the location is and take a couple samples to find out what speed the phone is traveling at. So, if it's going faster than 15 miles per hour, as an example, it will start to collect those GPS points. Rep. Paul asked if it would know if you're the passenger or the driver. Mr. LaMarca stated that there are different methods for assessing whether or not somebody is driving or a passenger. There are different algorithms. For example, when you're turning we use the different chips that are in the sensors that are in the phone to be able to determine those things. Is it perfect? No, it's not perfect but we also have different methods to evaluate that.

Ms. Klein stated that to provide a little more clarity, we start by identifying a trip is happening and whether it's a likely vehicle trip and then we actually look at vehicle mode. So, if you're in water, you're probably not in a car, you're probably on a boat and those aren't the things that we're capturing for auto insurance. So, we'll look at those likely train, bus, plane, other trips and identify those are not vehicle trips, or car trips. Once we've identified the users in the car, then there's the challenge of are you the driver or the passenger. Rep. Paul asked if you were driving and you gave your phone to your wife to text something for you, do you get penalized for texting while driving? Ms. Klein stated that is one of the challenges, but that's some of the information that you can also use to refine those algorithms of understanding driver versus passenger. So, if a passenger is using the phone, they're probably using it really frequently throughout the trip and so if someone's using it so frequently in the trip there's the potential that you could incorporate that as part of your driver, passenger algorithm to understand this type of phone activity is really hard to do as a driver versus other phone activity.

Rep. Paul stated that in your example you were showing that there were similar rates but then the person driving bad if you really said it they would charge more. So, you would think that the people that had bad behavior they probably know they're not going to get this unless you do the mandatory thing which would really be bad. But if they don't get it the only ones that will be good would be the better drivers and then you're going to give them a discount but then that means more drivers would be discounts if you had more people on it, so that you would have to increase the basic rate if you're not on it. So, ultimately it would seem that you're penalizing everybody that's not on it and they would be paying a lot a higher rate, would that be true? Ms. Klein stated that there could be that potential over time. We're not necessarily seeing that in whole today based on participation but as participation grows to your point, those who are choosing not to opt into these programs, where if they view that they're a more dangerous driver, it could happen. There's the opportunity to change by the way and that's the benefit of this that you can learn that you are indeed a more dangerous driver or not and in fact, some of the folks that think that they might be safer drivers find very early on, oh there's an opportunity for me to change my behavior as well. But for those who opt out of these programs grow, there is that potential if you're not participating in these programs where you benefit from that coaching that there could be that base rate offset that you're talking about.

Sen. Paul Lowe (NC) stated that I'm listening to this and for me it sounds extremely intrusive. Just the idea of somebody following me everywhere I go. So, the first thing I would want to know is what insurance companies are actually using this kind of data? Ms. Klein stated that from the usage perspective I can share that all of the top ten insurance companies do have some sort of telematics program in place as well as many of the smaller and mid-sized carriers are starting to be involved in these programs. But regarding concerns that individuals, these are voluntary based programs so people are opting in based on the benefits that they can receive related to it with awareness that it does require some of that data collection. But with any data collection there are always privacy considerations that come into play which is why this data is needing to be and is well protected from a privacy perspective.

Sen. Robert Mills (LA) stated that I'm equally intrigued and concerned about the ability of my telephone and you to have a private conversation and I'll follow up with this later but you say these are voluntary programs to date. Is there any comfort available to me about there being notice that my insurance company is using telematics and gathering data? Is everybody absolutely either signed up in writing or notified that they're being tracked? Ms. Klein stated that from my understanding, all of the programs that exist today you would need to opt in and you would be aware that you're signing up for that so the insurance company would let you know you're enrolling in the program. And for many they're using these smartphone applications of which there's very clear acceptance criteria of what you're enabling within that mobile app to allow this program to exist. So, you have to physically download your insurance company's mobile app that allows this type of information to be collected.

Rep. Forrest Bennett (OK) stated that I enjoyed the presentation and I share some of the other concerns with data and all that but my other issue is that the regulatory entities would never make this mandatory but essentially the market would drive us that way. Eventually everyone would just have to do this otherwise your rates are automatically going to be higher. And then the second concern, especially if that becomes the case, is the inequity here that I worry about of some people can't control when they drive to work because their jobs are not traditional 9 to 5 and I don't know what the data is as far as when is a safer time to drive and the distances to drive but some people have to be Uber drivers, some people have to be Postmate's drivers. Some people have to drive downtown to a dangerous place and park up their car there. My concern is that this is going to drive the rates up for people who can least afford it, while allowing those who can afford it to pay less and I wonder if you've had conversations like that and if you can assure us that we won't be heading in that direction. Ms. Klein stated that I'll touch on that second point. It's a conversation we regularly have with the Departments of Insurance as they have those same questions and one thing I think that's important to know is that the when you drive is one part of it. No company is introducing when you drive as a standalone feature of telematics and so while sometimes if someone is needing to drive during certain periods that are more risky they can control the other behaviors that offset that additional risk. It's very predictive in terms of whether or not you might get in an accident during those risky periods but you can control how you drive during those risky periods and therefore, in many of the programs that exist today, that time of day component isn't the primary driver and you're able to offset for those riskier periods by driving more safely and it provides greater encouragement to drive safer from that perspective, because you are driving during more risky periods of time.

Rep. Lampton stated that this may be more of a question for the carriers but I would draw a parallel back in the day to when health insurance premiums were blending rates and then somebody got the bright idea of doing preferred rating. So, I'm wondering if the use of this will continue, it'll be a benefit to the good drivers but will it provide automatic upward pressure in rates to the not so good drivers? You may not be able to answer that as it may be more of a carrier question and the previous question sort of alluded to that they'd kind of punish if you will poorer or worse drivers providing upward pressure for them, because now we're collecting less premium on the good drivers. That is a concern for me. Ms. Klein stated that I hear that concern and I think the question is noted for insurance companies but one thing I'll speak to is it would spread for those riskier drivers, some of the rate up and into those categories. But as I just mentioned those controllable features are a big component of these telematics-based scores and these telematics based insights. And so, it would incentivize those riskier drivers to change those behaviors and they can move more easily than some of those traditional characteristics and come back down to this other safer category.

DISCUSSION ON DEVELOPMENT OF NCOIL DELIVERY NETWORK COMPANY (DNC) MODEL ACT

Rep. Rowland stated that this Committee had a good introductory discussion on this issue on an interim Zoom meeting last month, which kind of set the table for this issue going forward. As you all may know, in 2015 NCOIL adopted a model act to regulate insurance requirements for transportation network companies (TNC) and transportation network drivers. That is referred to as the TNC model and the TNC model has been one of NCOIL's most successful. It has served as a basis for almost every state TNC law and a copy of that model from 2015 is in the binders for your review. The purpose of the discussion this morning is focused on possibly taking the NCOIL TNC model as a starting point for developing a model around delivery network companies (DNCs). As you all know, DNCs have grown in popularity over the past several years, especially through the pandemic. Some of the companies that are commonly known that do that are UberEats or DoorDash. So, we're going to hear from some of these folks this morning. After we have the discussion today, we would anticipate that a first draft of the model could be prepared in advance of the summer meeting and during that meeting we can start a discussion on the specific language such as coverage amounts that would be required for these companies. I am interested in sponsoring the model, but I'd also like to wait to review what that language would potentially look like before we get started.

Marty Young, CEO and co-founder of Buckle stated that I come from 20 years in financial services on Wall Street. I'm also very proud of being a West Point graduate and continue to serve, not just in the active army but as a National Guard Chaplain in the states of Massachusetts, New York, and currently Delaware. I certainly have a strong appreciation for our federal system and the way basically we can partner with states in order to provide various solutions. Buckle is the inclusive specialty financial services platform, serving the rising middle class in the gig economy. We are very focused on closing the protection gap for gig workers many of which we believe are in the middle class and are in the rising middle class and we very much see our mission as providing insurance products and other financial services to close those protections gaps and enable people to move up the socioeconomic ladder. The reason we're here today is that many DNC drivers are operating under the false assumption that they have coverage for their commercial activities and there's been a lot of confusion. For example, in COVID, a number of insurers although they had historically excluded delivery activities did allow and cover delivery activities during COVID when many of the these workers were vital in delivering goods to our homes – things such as medicine and even things like toilet paper.

But as we've come out of COVID, there's now I think a tremendous amount of confusion by many of these gig workers and whether or not they have coverage as they're performing these various types of delivery activities. So, at Buckle what we've been able to create, working with your various commissioners, is a commercial insurance policy that covers all the possible protection gaps whether third-party liability, collision, comprehensive, uninsured motorists, medical payments - even towing and rental. And we're able to cover that across all of the various periods. In fact, using our technology and our three admitted carriers, which we have licenses across forty-nine states plus Washington D.C., we have a product that basically is able to provide that driver 24-7 protection coverage. In commercial auto, using a commercial auto framework, we insure taxis, we insure limos, we insure rideshare, we insure food delivery, we insure package delivery. We insure convenience store type deliveries and we sort of run the full gamut. And again, using a commercial framework, we're able to understand price and cover the various risks.

However, if somebody is a personal policy, there's a lot of confusion as personal auto policies have exclusions generally once an app turns on, or as people are engaging in different types of commercial activity. In the same way the TNC model bill was able to create clarity, transparency and structure, we look forward to being a participant in sharing some of our learnings in covering these various types of emerging business models through a DNC model bill. So, we think that a DNC model bill could close the gap as well using personal policies but it does require some structure and transparency. So, if you look at the landscape there's personal activity, there's commercial activity, and between those two worlds there lie the policy gaps and not just in liability, but also in towing, rental, bodily injury and other types of coverages that are generally available to drivers if they operate within purely a personal or purely a commercial framework. An effective DNC model bill we believe should eliminate gaps in coverage, should distinguish different types of drivers allowing for both commercial and personal policy solutions, and provide clarity, transparency and indemnity, perils and disclosures to all parties, whether drivers, whether DNC's, whether the general public.

Starting with the TNC model act, a personal vehicle means a vehicle that is used by a TNC driver to provide a prearranged ride owned, leased or otherwise authorized for use by the TNC company driver, and is not a taxi cab, limo, or other for hire vehicle. Now, what's interesting about this is there was this recognition that taxis and limos, which had commercial policies, as well as other types of for hire drivers whether it's a carpool van, or a bus, or other things we insure using commercial frameworks, were already solved. And in fact, what you'll find interesting as it pertains to a DNC model bill is deliveries using taxis and limos are not a new thing. In fact, we are insuring taxis and limos, including taxis here in Nevada, that are doing delivery jobs for the various DNC companies. And again, as a commercial policy framework we know how to do this. The language we would suggest for a DNC model bill starting with the TNC model bill is really kind of translating it over but for example since taxis and limos and other types of commercially insured vehicles already know how to provide those coverage gaps and provide coverages based on the type of driver, the type of vehicle, the type of activity, the type of cargo, those should effectively be less the focus. The real focus is what happens if somebody has a personal policy? And once I think that there's clarity through a DNC model bill for how the responsibilities of insurance coverages will work when somebody turns on an app with a personal policy then Buckle, as well as other insurers, can provide solutions that are commercially viable and then protect the public.

Joe Messina, Legal Director of Insurance Law and Regulation at Uber thanked the Committee for the opportunity to speak and for the work you all are doing on this DNC model bill. Uber has worked closely with this committee in the past on other NCOIL model bills including the TNC model that was referenced and we look forward to doing the same here. Uber is in a unique position. We're well known for our passenger transportation business of course but we also own and operate the largest DNC in the world outside of China. We facilitate the delivery of all sorts of goods through our platform. You can get prepared meals, groceries, and liquor delivered. In fact, just a couple weeks ago I got a sink delivered through the Uber app. We're remodeling our kitchen. But based on this work, really spanning both sectors of passenger transportation and delivery, we're actually able to see and demonstrate that delivery presents a much different risk than TNC passenger transportation. Our claims and loss history experience shows that the accident mix between TNC and delivery work is very different. The claim frequency is much lower in the delivery context.

The distribution of miles while awaiting a passenger or a delivery request while driving to pick up the passenger or the goods and then while delivering the goods or transporting that passenger is all very different when you look at TNC work versus delivery work. And unlike, importantly, when we were first considering the TNC model bill several years ago, endorsements on personal policies to cover commercial activity are much more prevalent. I also think it's noteworthy that vehicular delivery at its core is not fundamentally new nor does it really present a novel insurance risk. Businesses designed around the delivery of goods, food, newspapers, parcels, have existed since the beginning of compulsory auto insurance.

But even despite that fact, delivery presents a much different risk than passenger transportation and the delivery insurance risk is not new. Uber right now, we choose to gratuitously maintain commercial auto insurance on behalf of delivery drivers while they're on our app with no regulatory obligation to do so. States have compulsory auto insurance requirements just to be on the road, and we think those should be in place for the benefit of the general public. Even though frankly, we understand most of our competitors don't do the same. In sum, Uber is very supportive of a model bill that sets baseline auto insurance coverage requirements for the industry provided those requirements contemplate the unique business structures of delivery companies and the unique risk of delivery especially as compared to TNC activity.

Frank O'Brien, VP of State Gov't Relations at the American Property Casualty Insurance Association (APCIA) stated that NCOIL has developed a very unique niche. It has become the go to place for the development of important public policy in the sharing space and you see that before you in terms of the folks that are here at this table today - pretty much all of the major players who are involved in this type of delivery activity have been in attendance at this meeting.

There have been a number of discussions and meetings and hallway conversations and in general, I'm pleased to report to you that a consensus is developing using the NCOIL TNC model as a basis and evolving that model to take care of some of the unique aspects of the delivery space and moving forward from there. I'm very optimistic that the parties here who have engaged in some very substantive conversations will continue those conversations after this meeting. I believe that we will be able to work out the details and I'm optimistic Mr. Chairman that with your help I'm optimistic that the parties here will be able to come before NCOIL and that a product will be produced for the consideration of NCOIL at its next meeting.

Brad Nail, representing Lyft, stated that Lyft does also operate a delivery company in addition to its TNC, and thank you Mr. Chairman for agreeing to take up this issue and have this discussion. I do think that some of you may know me from the TNC model bill that we worked on here at NCOIL and then implementing that in all of your states and I do think that as Mr. O'Brien said, the TNC model is a very good starting point for a DNC model. We can take substantial portions of that that are applicable and that we all know have been tested, and that we all know work well. Elements such as the definitional structures will be very similar. The sections on insurer rights and the ability of the insurers to exclude certain activities to cover certain activities. The disclosures and the consumer protection elements within that bill certainly should apply as well in the DNC framework.

And then when we get to the actual coverage, we need further discussion on how much coverage will be appropriate for this type of risk but the period approach that Mr. Young outlined in his presentation and that you're familiar with from the TNC world should be applicable here as well. We think that as we sit here today, I think that coverage in an amount above your state's minimum financial responsibility is warranted and it's important that whatever requirements can be satisfied by different types of policies in combination with one another so that the personal lines carriers can insure parts of this while the DNC companies maintain coverage as well. So, since it is largely the same pool of drivers that operate on the TNC and the DNC side of things, I think it is important for us to consider how the insurance requirements will work together in conjunction with one another between TNC and DNC. But with that I think we are well situated to reach a positive outcome here. Everyone at this table I think works well together and we're looking forward to the discussion.

Jordan Bailey, Legislative Policy Advisor at DoorDash thanked the Committee for the opportunity to speak and stated that I want to take the opportunity to introduce our business and express our interest in the work being done on this important issue by the committee. As you all likely know, DoorDash is an on-demand logistics platform that connects consumers with local businesses in their community. It also provides work opportunities for hundreds of thousands of couriers who on our platform we refer to as our community of dashers. DoorDash is proud to already provide other liability insurance for our dashers in the case of an incident while they're on delivery. With respect to the issue before the committee, DoorDash supports the creation of a model act covering DNCs to create a foundation for uniform regulation for states to look to.

We've shared written comments with NCOIL to share with the committee detailing our perspective on a DNC model act. So, I won't go into detail on that today but I would just like to emphasize what other members of the panel have already said, which is, while there are some similarities between TNCs and DNCs, there are some significant differences and we hope that the committee will keep those differences in mind as they develop a model act for this industry. So, we'll just close by saying we're excited for this partnership with NCOIL and we look forward to working with the committee on this issue.

Andrew Kirkner, Associate Vice President of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), stated that NAMIC agrees that's it's proper and appropriate for NCOIL to consider and pass a model DNC bill. We have essentially three principles that will guide our review and advocacy in this area. We do want to make sure that any DNC model tracks a TNC model, making sure that all appropriate stages of activity are covered with adequate levels of insurance and that's essentially a consumer focused concern. We're generally talking about areas where personal auto policies exclude coverage. So, we want to ensure that from a consumer standpoint that there is coverage. We do think that the TNC framework does provide a good basis for this discussion and we look forward to working with the other stakeholders, members of the committee, and the sponsor on model legislation.

Rep. Rowland thanked everyone for their comments and that he thinks Mr. O'Brien is right that we have the major players in this industry from all across the country here today and we appreciate your input as we develop this model. It's certainly going to give credibility to it and I'm confident we can get something done and it'll really give credibility to it as states adopt it across the country.

Sen. Bob Hackett (OH) stated that my question is for Uber and Lyft. When the TNC model passed, and actually I compliment you and the insurance companies, the problem on the ridesharing issue is you are covered, as Mr. Kirkner said, for two-thirds of the process, but you didn't cover 100% and you wanted them to turn it on their personal auto and that's where some issues arose. So, what worked out really well was you guys get into an agreement to have the insurance companies put an endorsement on the policy that included that. So, is that the solution in this situation? Because, on the DNC, doesn't your basic policy cover the people, and the only process gap might be when they're going to pick up the thing they're going to deliver?

Mr. Nail stated that I think we want to see maximum flexibility. The model needs to establish the right requirements that you want to see as lawmakers. We want to see flexibility in how that's satisfied. I do think personal auto endorsements are a component of that but the solution on the TNC side, the compromise that we reached that was codified here, was that the TNC's ultimately did agree to insure all three periods of that activity but also allowed the flexibility for the personal auto carriers to insure what parts of that they want to. Sen. Hackett stated and you agree, going out and enforcing and requiring a commercial auto policy was way too expensive and so all the big carriers just basically put it on endorsement and then they can build the criteria and the data to see if they were charging to that. Because the difference to what they started out charging and what a commercial auto is about five times. Mr. Nail stated that I think that's true of the commercial auto issue that we were looking at that time. The products that Mr. Young at Buckle has been working on have been making commercial products more affordable and so there's progress being made there as well.

Mr. Messina stated that what I would also add is that right now Uber already has a blanket commercial auto policy for delivery drivers so we have taken that approach. We have decided, don't worry about what your personal policy does cover, don't worry about having a commercial policy, when you're delivering on the Uber app our commercial policy will cover that risk and we would frankly, intend to do that whether or not this model's passed.

Rep. Brenda Carter (MI) asked if this model legislation would potentially lower the cost for commercial vehicles owners? Mr. Young stated that no - your regulatory frameworks and your laws that are already in place are well established. We're essentially playing by the various rules of the various states and I would simply say that for certain types of drivers, commercial policies make a lot more sense. And again, the TNC model bill pulled taxi and limo out. Those limits weren't reduced. The coverages weren't decreased, and the cost didn't' change. So, in the same way they're certain types of delivery work, commercial policy makes sense. I think the question here today is well, what happens if somebody has a personal policy? And now we have a lot of gaps that need to be addressed.

Rep. Rowland thanked everyone for their comments and stated that he looks forward to working with everyone throughout the remainder of the year and developing a successful model.

DISCUSSION ON NCOIL INSURANCE UNDERWRITING TRANSPARENCY MODEL ACT (Model)

Rep. Lehman, sponsor of the Model, stated that this has been an interesting path you might say. We've had this discussion before. If you're following along this model is in your binder at page 167. The charge to this committee came out of our work on the Special Committee on Race in Insurance Underwriting developing some insurance score transparency, but I want to give a very brief background on what led us to today and where I think we want to go. Where I'd like to see this go, and I think the industry would agree, is that historically I think customers are very quick to ask the question, why? And we're getting a lot of why questions right now from our consumers. Historically, that why question could be easily answered. If you looked at what happened in the last 30 years, insurance was tangible. I could hold in my hand a motor vehicle report (MVR), a Comprehensive Loss Underwriting Exchange (CLUE) report, things like that, and those were things I could show my client and answer his question, why. Then we began the introduction of technology and we heard earlier today, on telematics, that has been around for a decade now and it has driven some people to make changes in their driving habits. But it's usage based, it's now moving from that law of large numbers into more of an individualized underwriting. We saw the inclusion of credit scoring, which still has some tangible parts but began to get into the area of much more data driven.

Then we began to enter into truly the embracing of a technology world. The data pool expanded. We began to gather information from multiple sources. We saw a little bit on the first presentation when they were talking about what data they can collect in telematics and your habits, and that led to a lot of predicted modeling. We can anticipate now. We know what might happen, and that came with more data, and more data, and more data, and we continue to be asked the question from our consumers, why? Why? Why is my rate changing? Why is this affecting my policy?

At the same time, we're kind of on a natural collision course, because that use of data I think is being used by carriers to work to perfect their models and create a more competitive marketplace. Which is what we want. We want that competitive marketplace. It's starting to collide a little bit with privacy. What are you gathering from me? And what are you doing with that data? And then now the issue that is coming before you today, is the transparency of that. So, with all that in mind, what does a client have a right to know? If you look back 20 years, it was very clear. Here's you MVR, and today it's very cloudy - here's your insurance score, or vehicle score or something like that. So, in Indiana I began to start to put some language together in House Bill 1238 to use as kind of a model and then I pulled that out realizing the best place to probably do this is here.

We just heard regarding TNC's that was something that came down to NCOIL, was vetted, was pushed around and a lot of changes were made and I think that has been adopted in almost every state because NCOIL did it right. So, what the model basically does, is require that certain information to the consumer that is used in their underwriting be disclosed. Specifically, it says upon request of a consumer they must disclose to me those primary factors up to ten of those most heavily weighed. So, every company's going to do it maybe a little bit different but if I ask, tell me what those factors were. If there's an adverse action, I think that's where we probably hear most from consumers is why did my rate change? If there was an adverse action, then that is now not contingent upon the request of the individual but must be disclosed to them based on those ten factors.

As I wrap this up for some discussion, I've had some really good conversations with the industry and I applaud them for coming to the table because I think some things to keep in mind as we talk about this and adverse actions are, what are those adverse actions, and what is that triggering point, is it policy driven? Is it time? Is it a percentage of the rate? And then we start to get into the public policy factors. Are things being used that we as policymakers would more or less say wait a minute, timeout, maybe we need to back away from that as that's not good public policy. And I think we have to find the balance. You heard me say this yesterday with the National Association of Insurance Commissioners (NAIC) - somewhere between a balance of disclosure and an outright ban is sought after. Regulators have a tendency with all due respect as this is a not a derogatory statement, but the default normally is just stop doing it. If we can't figure it out and we don't have the actuarial staff to calculate all this, just stop doing it.

I think if they're using this to perfect models to be more competitive, we don't want to just stop doing it, but we go back to the question of why. We have to be able to tell those clients why. I had a gentleman in my office, probably 82 years old, and he had an increase in his pickup truck policy and he said, "Why?" And I said, "Well, it was your vehicle score." He said, "What does that mean?" I said, "I don't know." And my underwriter said , "I don't know." There needs to be a why. I hope as we transition through this we start to get into this model that says there needs to be that balance and we need to be able to answer the question why. So, I'm really looking forward to the industry input, and where we think we can go over the next couple meetings. I think there's going to be a lot of interim calls on this because I do want to get to a good place by the Fall. And that's a heavy lift but I think with the commitment of working with the industry I think we can get there.

Mr. O'Brien stated that we applaud Rep. Lehman for putting this on the table and kicking off what is a very important discussion. It's critical for us in terms of the products that we provide and the relationship that we have with our customers that they feel that they are being treated honestly and fairly. We do provide a wide range of disclosures and other information but it's clear that the range of disclosures and the other information that we do provide to consumers, and they vary from state, are not enough. Or, they're not the right types of disclosures as consumers are inundated with all sorts of notices and other disclosures. People should be in companies, and agents should be in a place where we are able to explain at some level regarding why something has happened to a particular consumer. That's just basic fairness. It is basic customer relations. The language that Rep. Lehman has put in the proposed model we view as a good starting point. We view it as something that also causes us to have a number of concerns.

Many of these concerns are on the operational level. How do you do it? When do you do it? What do you disclose? What's external data? What's traditional underwriting? Is it going to be ten factors? Is it going to be fifteen? The most heavily weighted, what does that mean? You're talking to an industry that wears belts and suspenders. You're talking to an industry that language matters. We're going to have to figure out that language. We're also going to have to figure out how to do something so that we do it in an efficient way. One of our concerns of course, is having in some cases, the potential for what we're calling a dynamic notice. Having a dynamic notice that is a notice that is individualized to each consumer. It's a far more difficult technological and operational hurdle to require than some sort of notice that provides a level of explanation to the consumer at a generic level. These are going to be important questions and discussions that we're going to be engaged in over the next several weeks. I look forward to working with Rep. Lehman on a number of interim meetings. Rep. Lehman and others on this committee have made it clear to the industry the importance to which they see this issue. We see it as an important issue as well and we'll be pleased to work with NCOIL on this particular issue.

Mr. Kirkner stated that I want to start by echoing Mr. O'Brien's comments and thanking Rep. Lehman who has been extremely generous with his time, even during his own legislative session in Indiana. So, we appreciate him taking the time to speak with us about the intent here and many of the provisions of the model act. I think that the introduction of this bill in Indiana and then the discussion here at NCOIL has really spurred a conversation that we have not had in sometime as an industry so I think it's been certainly useful and helpful for us to sort of crystalize how companies approach these issues. Obviously, companies look at disclosures and the information they share with agents or consumers differently but we are hearing you Rep. Lehman and we're hearing NCOIL about the importance of increasing transparency in this space. So, we certainly would commit here to continuing that discussion. I would point out a few areas of concern with the model that's currently before NCOIL. Actually, let's start with the good parts first. One of the things that's included in the model that's currently before the committee is an external data notification. So, in plain English that I can understand, it's essentially a notice to consumers that an insurer uses some form of external data, which is a defined term in the bill. What we found out in the course of discussion with our members is that's something that many of them already do and number one, I'm encouraged to hear that, but number two, I think standardization in that space requiring a disclosure that insurers use external data is appropriate and so we certainly don't take issue with that part of the bill.

We would want to make sure there's some considerations for the disclosures that companies already send out so that there's some flexibility in that space but we do think it makes sense for consumers to be aware that external data may be used by an insurer. Switching gears a little bit, we do have some concerns about some of the language in the bill regarding the primary factors. So, as I understand it from speaking with member companies, it's very difficult to parse out what would be described under the bill as a primary factor. Rating factors are weighed against themselves in addition to being given weight inside of an algorithm so that's a difficult process. What I think in concept we do agree with though is where there's a significant premium increase for example, consumers need to be able to identify in broad terms where that's coming from and to try to be able to address that. So, I think there I would style this as agree in concept and maybe a commitment to working on improving the language a little bit there. The other concern raised by our members is the confidentiality of information. It may not look like it with how nice Mr. O'Brien and I are to each other, but this industry is fiercely competitive. Our members, even internally at NAMIC, even internally at APCIA, they are fighting every day to win your business as a policyholder. It is a fiercely competitive industry and certainly we view that as a good thing for the policyholder. That helps keep premiums low and things like that.

So, there is a concern that if companies are required to disclose the primary factors, that other insurers could use that information or gain proprietary information in that process. So, we want to make sure that there's some confidentiality protections included in any ultimate model. Finally, I'll just close there and say we look forward to the interim meetings, we look forward to the formulation of a model here and certainly appreciate the opportunity to comment.

Karen Melchert, Regional VP of State Relations at the American Council of Life Insurers (ACLI) stated that you're probably asking yourselves what am I doing in the P&C committee. And that is precisely why I am here. Rep. Lehman was wonderful to work with as he was working on HB 1238 during the Indiana session and agreed that this proposal really is directed towards personal auto and homeowners insurance but the use of the term personal insurance would bring in life insurance without that being made clear and that was his intent to do so in the bill and I'm assuming since this is in the P&C committee your intent here with this model as well is to apply to personal lines, meaning homeowners and auto. So, we would appreciate that distinction being made for a number of reasons and one being that the approach taken really does apply more to renewals and life insurance is not a renewal product. So, we will be happy to work with you on language that would get that accomplished but we will continue to listen to the conversation as we know this is not going to be remaining just with personal lines going forward and its something we have been working on obviously internally at ACLI.

Rep. Lehman stated that regarding life insurance, I appreciate that being brought forward and it was brought up in Indiana. I talked to some people yesterday about this and I think you make a very clear distinction here and one is - is this going to be geared towards some things I could be denied on based on some data they collect? But life insurance is based on you analyze, you underwrite and then you issue and you're done. They'll either cancel that policy or pass away but nothing changes in that policy. But with auto and home it changes every renewal so I do look at this much more driven by I'll say personal lines but there's some commercial aspects to it as well, but definitely a P&C issue and not a life issue.

CONTINUED DISCUSSION ON STATE EFFORTS TO LOWER THE UNINSURED MOTORIST POPULATION AND NCOIL FAIRNESS FOR RESPONSIBLE DRIVERS MODEL ACT (Model)

Sen. Shawn Vedaa (ND), sponsor of the Model, stated that we've been discussing this issue for about a year now and I've enjoyed hearing many different perspectives on how best to lower state underinsured motorist populations. One method is what's referred to as the no pay no play law which about ten states have enacted, including my home state of North Dakota. Such laws prohibit uninsured drivers or personal representatives of said drivers who sustain bodily injury or property damage as a result of a motor vehicle accident from recovering non-economic damages from the persons bodily injury, or property damage, or death. Last year, I sponsored such an NCOIL model for consideration under the title of the Fairness for Responsible Drivers model act which appears in your binders on page 169. Since I introduced the model act last April, this committee has been presented with the pros and cons of the model as well as other ways to lower uninsured motorist populations. I was hoping to hear more support for the model from this committee but from my perspective there does not appear to be an appetite to move forward with the model at this time. However, I remain very interested in the issue and I'm interested in sponsoring a model law or resolution that aligns with what Illinois has recently enacted which focuses on developing an online insurance verification (OLV) web based system. This system provides instantaneous verification of coverage at any time. Approximately 15 states have implemented this type of system with Illinois being the latest to do so.

After hearing all the discussions this committee has had I strongly believe that the use of emerging technology is the best way to address the issue of rising uninsured motorist populations. In fact, last week in my home state of North Dakota our insurance commissioner announced his intent to explore whether blockchain technology could help identify uninsured drivers. That concept is in the very early stages as the insurance department has only recently published a request for proposal for a proof of concept for vendors to show whether blockchain technology is a feasible solution. I'm not necessarily wed to blockchain, rather, my larger point is that I believe using emerging technology to address this issue is the best path forward. Accordingly, what I'd like to do for now is to put a pause on my model, and proceed with developing a different model or resolution that has some similar provisions to the Illinois OLV system. The existing model is not necessarily disappearing but for now I'd like to dedicate efforts to discussing electronic methods. I look forward to working with staff to developing something that is ready for discussion in our summer meeting in July.

Rep. Rowland then opened up the discussion for comments and recognized Mr. Kirkner who stated that it would be imprudent to comment after the model has been put on pause, so I'll dispense with my comments today.

Sen. Hackett stated that when you talked about the OLV, we almost did that in Ohio. We took away the random verification and we were close to getting the OLV but the companies didn't want to use a private company because of the protection of their data. Does Illinois do it through their Bureau of Motor Vehicles or whatever they call it in Illinois? Sen. Vedaa stated that he is not sure how they are doing it in Illinois.

Rep. Lehman stated that I want to first applaud Sen. Vedaa on your commitment to continue to work on this. I think we've seen in Indiana and a lot of states have seen increases in uninsured motorists. We did a study probably three years ago, and really what we anticipated was that we were going to find there's a common thread in all states. And there's not. It was just amazing to me, but one thing we saw was that the common thread of those states that had the lowest uninsured motorist population was punitive penalties. And I just think, not to be punitive in the sense of just to be punitive, but there needs to be a price paid for breaking the law. So, I applaud you on this and I think some of that instant verification has merit and I ask you to continue to work on this.

ANY OTHER BUSINESS

a.) Future Introduction of Dog Breed Information in Underwriting Model Act

Asm. Kevin Cahill (NY), NCOIL Vice President, stated that, as you know, during our interim meeting of this committee, the discussion came up about a model act regarding the utilization of the breed of dog in underwriting. We in New York have just had a pretty good experience with a debate, discussion, and development of legislation on that issue and then some modifications of that legislation to make it a little bit more effective and more along with the intention of the legislators. I think it's important that as we go forward with other states that might consider this that we not require everybody to reinvent the wheel but come up with legislation that will technically work and that will also express the will of those who are advancing it in those who ultimately will vote for it. So, rather than introduce the model at this time, what I'd actually like to do is extend an invitation for people to reach out to us and participate in advance of the next meeting when we will introduce a model act. It will contain two elements. One element is divided into two so it's three altogether. One will be regarding the issuance and rating of homeowners insurance and another for renters insurance which is a slightly different issue. And the third issue is one that I think we can all pretty much agree on and that is that it's time to collect some data on this because if there are two divergent points of view maybe it's time to resolve that.

So, that's what the model will include, a homeowners component, a renters component and a data collection component. Critical to me is that if the data is collected by our various insurance departments that something be done with that data - that it come back to those legislatures who may not be prepared at this time to go forward with legislation in this area and that upon receipt of that information the legislatures can then decide to possibly adopt the first part of the model act or make some other modifications. So, what I would offer is I would ask for a slot on your next meeting to discuss the introduction of this measure and maybe begin a lively discussion and debate. Now, the mere mention of the mention of the possibility that a model act might be introduced caused a pretty good debate at our interim meeting, and that's not my desire here today, but it is important that we communicate offline and arrive at a consensus because the idea here is to provide tools to our colleagues in the 50 states to deal with these issues.

b.) Impact of Inflation on the Insurance Industry

Mr. O'Brien stated that we are now engaged in a period in our nation's history where we are seeing some very significant spikes in inflation – 7.5% was one of the latest figures that I had seen. A lot of that is impacting many of the things that we buy for auto coverages and for homeowners coverages. It's having significant upward cost pressures for us. The cost of vehicles is up significantly. Repair times are up significantly because of supply chain issues. The cost of everything is going through the roof. We're seeing it ourselves when we go to the supermarket. So, the very fact of the matter is that the stuff that we're paying for when there's a homeowner's claim, and an auto insurance claim, is going through the roof.

That's going to have an impact down the road in terms of rates. It's a cost driven business. What comes in on one end goes out on the other. So, we're in a period of volatility, somewhat in a period of instability. We will be continuing to keep an eye on it. We know that you will in the legislatures and working with the regulators as we go through the rate approval process and the regulatory oversight process. We will be mindful of that. But I just wanted to lay that out for you and I know that yesterday with the Institutes Griffith Foundation, there was a presentation on the impact of inflation and I just wanted to emphasize that for the committee.

ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Ken Cooley (CA), NCOIL President, and seconded by Rep. Tom Oliverson, M.D. (TX), NCOIL Treasurer, the Committee adjourned at 10:30 a.m.