

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
2023 NCOIL ANNUAL MEETING – COLUMBUS, OHIO
NOVEMBER 17, 2023
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at The Renaissance Columbus Downtown Hotel in Columbus, Ohio on Friday, November 17, 2023 at 3:15 p.m.

Representative Edmond Jordan (LA), Chair of the Committee, presided.

Other members of the Committee present were:

Rep. Brian Lohse (IA)	Asm. Ken Blankenbush (NY)
Rep. Matt Lehman (IN)	Asm. Erik Dilan (NY)
Rep. Michael Meredith (KY)	Asm. Jarett Gandolfo (NY)
Rep. Michael Sarge Pollock (KY)	Sen. Bob Hackett (OH)
Rep. Rachel Roberts (KY)	Rep. Brian Lampton (OH)
Rep. Cherlynn Stevenson (KY)	Sen. George Lang (OH)
Rep. Brenda Carter (MI)	Rep. Forrest Bennett (OK)
Sen. Lana Theis (MI)	Rep. Carl Anderson (SC)
Sen. Paul Utke (MN)	Rep. Jim Dunnigan (UT)
Sen. Walter Michel (MS)	Del. Steve Westfall (WV)
Rep. Nelly Nicol (MT)	
Sen. Jerry Klein (ND)	
Sen. Shawn Vedaa (ND)	

Other legislators present were:

Rep. Deborah Ferguson, DDS (AR)	Rep. Bob Titus (MO)
Sen. Dan McConchie (IL)	Rep. Tim Barhorst (OH)
Rep. Helena Scott (MI)	Rep. Ellyn Hefner (OK)
Rep. Stephanie Young (MI)	

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel
Pat Gilbert, Director, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

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

MINUTES

Upon a Motion made by Rep. Brenda Carter (MI) and seconded by Sen. Bob Hackett (OH), the Committee voted without objection by way of a voice vote to adopt the minutes of the

Committee's July 22, 2023 meeting and the minutes of the Committee's September 22, 2023 interim Zoom meeting.

CONTINUED DISCUSSION ON NCOIL CATALYTIC CONVERTER THEFT PREVENTION MODEL ACT

Rep. Jordan stated that first on our agenda is a continued discussion of the NCOIL Catalytic Converter Theft Prevention Model Act, a model which I'm co-sponsoring with my good friend Rep. Tom Oliverson, M.D. (TX), NCOIL Vice President. You can view that model on page 289 of your binders and on the website and the app. We've been discussing this model since our spring meeting in March, and while we have been having some productive discussions there have been some concerns raised by some that this model is somewhat outside the scope of the committee's normal work. I understand it can be argued that there is a downstream insurance consequence to stolen catalytic converters but I think you can say that about anything that's stolen and this model kind of deals with some criminal provisions. Accordingly, after we hear from our speakers today I'd like to hear any thoughts or comments from my colleagues as to whether they believe that this committee should keep on pursuing development of this model into next year.

Eric DeCampos, Director of Gov't Affairs at the National Insurance Crime Bureau (NICB), thanked the Committee for the opportunity to speak and stated that NICB is a non-profit organization that works with member insurance companies and state and local law enforcement to detect, prevent and deter insurance crimes. And today I'll just be following up with our presentations that we made over the spring and summer meetings with some additional information and a quick update. So again, we're talking about catalytic converters. These are the exhaust emission control devices underneath your vehicles that since 2019 we've seen a surge in thefts of these devices, largely due to the rising prices of precious metals that make up these devices, Rhodium, Platinum and Palladium. And since 2020, we've seen an explosion of thefts where we had 16,000 in 2020 and that rose to over 50,000 in 2021. And then we saw another spike in 2022 with up to 64,000 catalytic converter thefts. And this coincides with the prices of these precious metals peaking in 2021. So, I'm just going to dive right into the impact to the industry and I believe there's a direct impact and that direct impact is high costs. Specifically, the cost associated with replacing these stolen catalytic converters on automobiles as well as the repair costs for incidental damage done. Thieves are not exactly surgeons when they're ripping these catalytic converters off from your vehicles. They're not precise. They often cause a lot of damage that doesn't just equate to a \$200 or \$300 catalytic converter being sold on the secondary market. It could result in thousands of dollars in repairs to that vehicle. So, let's take an example. So, there's one insurance company that paid for almost \$4.5 million in catalytic converter claims in 2019. So, this is the start of the crisis in 2019. Now we fast forward to 2021 they paid out \$73 million. That's a massive jump. And then if we fast forward again to 2022, that spikes again to \$112 million. That is, once again, a direct impact on the bottom line of the industry.

Now of course, there's a consumer impact as well. The financial impact due to repair costs and economic losses. As well as a public safety impact and riding around in a damaged vehicle as well as the risk of injury or death from being at the wrong place at the wrong time and stumbling into an active catalytic converter theft. In fact, there's no more famous case I'd argue than the off duty, Harris County Sheriff's deputy who lost his life as he was murdered by three thieves who were trying to steal his catalytic converter from his vehicle. So since then, states have been overwhelming in their response to tackle this crisis. As you can see since 2020, we've seen a significant amount of legislation introduced with it peaking in 2022 with 123 bills introduced. As of today in 2023 we have 99 bills that have been introduced and 25 of them enacted. But what I

really want to focus on is this map. And what this map really shows is the variation that we get across states. So, we have states that have enacted some comprehensive legislation that have tackled a number of provisions from establishing catalytic converter theft as a crime. Record keeping requirements, buyer and seller limitations. But then we have other states that have taken a more incremental approach and maybe adopted one or two of these provisions. So again, there's a lot of variation. And the solution to this, in my opinion, is through this model legislation that we have on the table to establish a model that will establish those tools for states to use to help combat catalytic converter thefts and the impact that it has not only on consumers, but on the insurance industry. And so, this model contains the following provisions, criminal statutes yes, that's just a part of it. There's also buyer limitations. For example, making sure that transactions involved in used attached catalytic converters are taking place at fixed business locations. There are seller restrictions, such as ensuring that sellers are only licensed and regulated entities that would come across these devices over the normal course of their business.

And then finally, a voluntary state vehicle identification number (VIN) etching grant program. And what I mean by that is aftermarket voluntary programs where I can take in my vehicle to a local Police Department or another eligible entity, have them etch a serial number or VIN number or some sort of marking which will then be used as a deterrent against these criminals. Because it's much harder to sell a catalytic converter if there's a tracking number on it or if there's a serial number that law enforcement can use to track these devices. And this grant program is designed to provide these local jurisdictions with some funding in order to hold these VIN etching events and it is funded entirely on enforcement actions such as fines for non-compliance with state catalytic converter laws. Now, I'm going to wrap up this presentation by focusing on two success stories. In June 2022, Hawaii enacted Senate Bill 2279, this was their catalytic converter theft bill. As of halfway through 2023, the Honolulu Police Department reported 119 catalytic converter thefts and you can compare that to 1,600 in 2022 and 2,000 in 2021. It made a difference. And now if we look at it from the insurer perspective, State Farm recently announced a drastic reduction in catalytic converter theft claims and the money that they paid out as a result of these claims. In the first six months of 2022 State Farm paid out \$50 million over 23,500 thousand catalytic converter theft claims. During that same span, the first six months of 2023, that number decreased to just over \$40 million over 14,500 claims. And they directly attributed this significant decrease to state legislation, law enforcement efforts, media coverage which is shining a light on the issue. And declining metals prices. And I think what this is indicative of is that state legislation is making a difference. It's having a positive impact in tackling this crisis and we shouldn't be taking our foot off the gas. We should move forward with model legislation that'll give the states the tools that they need to enact legislation that they don't already have on the books in order to help fight this crisis and continue to drive down theft rates. And yes, it's true that metal prices are declining. They've been declining since the end of 2021. But that's just temporary. Markets are cyclical. Prices are low today, but they'll be high tomorrow. And the incentive to steal these catalytic converters will be there. The incentive to potentially even attack consumers to drive up these catalytic converter theft claims for insurers, that will all be there. And so this model not only will help tackle the issue today but it will provide the tools and the guardrails necessary to tackle the issue in the future as well.

Todd Foreman, Director of Law Enforcement Outreach at the Institute of Scrap Recycling Industries (ISRI), thanked the Committee for the opportunity to speak and stated that ISRI is a trade association for recyclers. We have about 1,600 member companies in the U.S. As I represent them, we like to help draft legislation. We like to help get the legislation out there because it is important to us to make sure that the recyclers aren't buying stolen materials and that the materials aren't being stolen as well since in buying the materials they're sometimes

victims of the crime. I retired as a chief of police about two years ago when I came to work for ISRI. So, I've been working within the theft area of catalytic converters and other things since my career started. Mr. DeCampos is exactly right, the prices were about \$300 at the height of the crimes in terms of the average price for a catalytic converter. At this point, the average price is about \$100 per catalytic converter. That means there's highs and lows above but the price is greatly reduced. The prices of the metals in them are still above the price of gold. Rhodium is the most valuable of the three. These strategic metals are strategic for the U.S. to keep in the U.S. and are used many ways and they're listed as strategic metals by the federal government. We would like to continue to work with this organization to help with the model legislation because we believe it's important. Now, I don't think we need to make a new bill because as you saw every state except for one has legislation on catalytic converters. So, the legislation is already there but they all don't meet the standards that we're looking for. They all don't help stop the theft. Some of them are better than others as Mr. DeCampos was stating. Some areas have slowed down the thefts as Hawaii has and there's some other states that have really good laws like Tennessee, North Carolina, and South Carolina. We work with those States but they still need some work to meet the standards. The model has the standards in it that we're looking for. We need to limit who's able to sell them. We need to limit who's able to send them through the mail. Those type of things. So, I support you continuing to work on this.

Rep. Matt Lehman (IN), NCOIL Immediate Past President, stated that with regard to whether the Committee should continue to proceed, with all due respect to what I'm hearing here and I don't disagree with anything said – what I'm looking at is NCOIL as an institution is getting into an area of the criminal code and what do we do with people who steal things. And I look back to think if we've ever done anything in that vein and the answer is no, that's not really what we do. And when you said there's already legislation there, it just needs to be changed and tweaked, I guess I would encourage us to go back to our states because I kind of looked at this and thought if this bill was brought in Indiana I don't think it would go through the insurance committee. It would go to courts or criminal code. And so I just don't want to kind of get outside of our lane of being focused on insurance. And I know that's a big issue right now because of the theft but I just think it's an issue that I'm glad has been brought forth and I thank you for the information and I will go back to Indiana and see how strong our laws are on some of this because I do agree on maybe enhancing some of those things when it comes to the etching. But I don't know that it's necessarily an issue for an NCOIL model law.

Rep. Brenda Carter (MI) stated along those same lines, I do want to know if there are other considerations that you may have since this does not fall under the purview of Department of Insurance and Financial Services for the state of Michigan. And also, what kind of benefits would there be for our fraud investigation unit since this is something that could help us curb fraud in our state? Mr. DeCampos stated that the benefits to your fraud bureaus is ultimately by having these deterrents and guardrails in place, it provides paper trails for your fraud bureaus as well as your local law enforcement jurisdictions in order to track down either criminal organizations or those opportunistic individual thieves that are trying to sell these converters. And that's really the crux of it is to provide the assistance to your law enforcement entities or to your investigative authorities to be able to hopefully recover those devices. Or if not, then to at least tackle the criminal elements that are perpetrating these crimes which ultimately the impact is not just on the consumer but also on the insurance industry as well. So this definitely falls under the purview of your fraud bureaus who are indeed being forced to deal with this issue due to the sheer amount of theft impacting auto claims associated with catalytic converters.

Rep. Carter stated going back to the model itself, how would this benefit states that don't have this model in place? In other words, I'm agreeing to the fact that this does not fall under the

purview of the Department of Insurance and Financial Services and there is a program in Lansing, Michigan right now where we're working in collaboration with you and others, so I just want to just make sure that we are covering all bases here and getting every opportunity to curb this epidemic. Mr. Foreman stated that all the states would benefit from the model legislation because it gives the points that we need to really have in the laws. If we don't have those points in the laws it doesn't benefit law enforcement. One of the big things that I've been pushing through ISRI is possession of the detached catalytic converters. Not everybody should have possession of an detached catalytic converter unless they have proof of ownership or they're licensed to be in the business. And that's where the challenge is we want that in the law so that we can have the right people having possession and it helps law enforcement because while I was working through the years we could stop the car with 10 catalytic converters in the car and we weren't able to attach it to anything else and we couldn't do anything to them because there were no laws about having that possession. Mr. DeCampos stated that Mr. Foreman brought up a really good point during his presentation and what we're talking about here is creating basic standards that all states can look up to in order to shore up their laws addressing this issue. And right now there's gaps when we look at all 50 states. Not all state statutes are living up to these standards. And what a model can do is establish what those standards are and then allow states to pick and choose to amend their statutes in order to get up to that level needed to actually create the deterrent necessary in order to deter criminals and have the regulation necessary to regulate these devices. I really think that's a big take away when it comes to this issue. Yes, criminal penalties, I understand reservations around that. But that's just a small part of it. We need to look at it holistically in the form of standards that states can look to.

Del. Steve Westfall (WV) stated that I think we need to continue this model. I've been an insurance agent for 43 years and used to deal with a lot of theft of a lot of things in West Virginia. Now we're dealing with stealing catalytic converters. We do have legislation in force, but it's not deterring the theft. So, I think we need to do this. I think it'll help insurance rates. They do a lot of damage when you take them off and you then have a big expense. I'm for this model and I plan to run some version of this in West Virginia next year.

Rep. Jordan stated that I certainly agree on this just for the purposes of discussion but I share some of the same concerns as Reps. Carter and Lehman from the perspective of I'm not sure how this differs from arson or really just any regular auto theft. I think the legislation itself has purpose and it's well intentioned but it really doesn't fall under the purview of the insurance committee. I think in most states this would probably fall under some criminal justice or some similar committee. So I think that really is the real question of where it belongs. Does it belong here at NCOIL dealing with insurance? Or does it really go into the realm of criminal justice in one of those committees? So I just don't know if we want to open Pandora's box.

Rep. Michael Sarge Pollock (KY) stated that we passed a law back in 2017 in Kentucky on this and I think more importantly this model is bringing attention to what's going on with our insurance companies. And then also part of it is just a sense of support more or less if we stand behind with some type of model. I'm like Del. Westfall in that we're looking at doing some things to upgrade the law we passed in 2017 in Kentucky and I think the model is important to show support.

Rep. Brian Lampton (OH) stated that I have a true story that occurred in my district to show that this is a big problem. I have a friend who owns a store and the thieves were coming in through the bike path. They cut a hole in the fence. They were carrying backpacks full of catalytic converters that they cut out of several motor homes that were stored there. And the sheriff told him the only thing he could do was get them for criminal trespassing even though they had three

or four catalytic converters in their possession. So I think that's why this is important as we want standards developed. Everybody knows a stolen car is a theft and there's laws for it. We need to define this and get this set up so that having 10 catalytic converters on you is a criminal offense. And I also know that having an NCOIL model will greatly assist any of us who are trying to pass legislation in our respective states as it gives it more power and more position. But you're right that it won't be in the insurance committees. It will be in a criminal justice or that type of committee. But I think this is something we definitely should pursue as it will benefit both our insurers and our constituents.

Rep. Jordan stated that this will be something that we will discuss during our interim meeting before the Spring Meeting in April in order to decide whether we want to continue to move forward or not¹.

CONTINUED DISCUSSION ON PROPOSED AMENDMENTS TO NCOIL MODEL STATE UNIFORM BUILDING CODE

Rep. Jim Dunnigan (UT) stated that as I noted during our interim meeting in September, I'm very interested in developing policy for states to follow that would incentivize homeowners and renters to take steps to strengthen their residences from natural disasters. In my home state of Utah, we've been dealing with some really horrific wildfires over the last couple of years so I'm very interested in public policy that ultimately aims to strengthen homes and neighborhoods. One of the challenges I find in my state is people don't want to make many changes to their structure, but they want their fire insurance policy to cover it at preferred rates when they live in a mountainous area. It's challenging. So, initially we started with amendments to the existing NCOIL building code model that were modeled after the Oklahoma law that would require the insurers to offer a premium discount if certain standards were met in regard to strengthening homes. And you can see that language on page 250 if you're interested. However, as I studied it more, I was not convinced that it would really move the needle so I'm withdrawing those amendments and looking to develop something new and I'll give you an example. Let's say that you're considering to replace a roof that's going to cost \$20,000 or \$30,000 and your fire insurance is \$4,000 a year. They give you a 10% discount. You'll save \$400, but that's probably not going to motivate you to put on a \$20,000 roof. So, today I'm looking forward to hearing from our invited speaker from Louisiana to learn about what they've done and see if it's something that NCOIL should consider. I'm very committed to this overall issue of strengthening homes from natural disasters and encourage and invite comments and submission of policy suggestions.

Tom Travis, Deputy Commissioner of the Office of Policy, Innovation & Research at the Louisiana Department of Insurance, thanked the Committee for the opportunity to speak about our program. It's just gotten underway. We have kind of an origin story in Alabama. They have their Strengthen Alabama Homes program, which we borrowed heavily from to design our program, and to do our regulation, and set our grant amount. And we've consulted with them a lot on their processes and the forms they use. Also there, we've talked to their IT people at the University of Alabama, and we developed our IT system from that. There are also other states that have mitigation programs. South Carolina has legislation very similar to Alabama. And then of course there is the Fortified Home Program and Fortified Roof in particular, which our grant program uses or is based on from the Insurance Institute for Business and Home Safety (IBHS). And they've developed a comprehensive wind mitigation. They're now working on wildfire

¹ John Ashenfelter, Associate General Counsel at State Farm, and Jon Schnautz, Assistant VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), each submitted witness slips in support of the continued development of the Model.

mitigation. They've created a wildfire designation program which I think is being rolled out in California right now. And of course, Smart Home America which is a non-profit and it's kind of an advocacy group that's sponsored by IBHS. And we've worked with them heavily in developing our processes. Our statute provides for grants to retrofit existing homes with Fortified roofs to the IBHS Fortified Roof standard which is a fairly comprehensive technical standard. And once you get that you will get discounts that the insurance companies have to file with us according to our statute. Also, the program requires that the homeowner have a homestead exemption. This is like Alabama. We are then able to verify that it's a primary residence. We've had a lot of people have rental properties they're trying to get into the program and this keeps it just to the primary residents and it's something we can legally verify as we can go to the assessor and Tax Commission records online and verify that very quickly. For our regulation, the grantees are required to have residential insurance, that can be a homeowners policy, a dwelling policy or a similar type of policy. But it must have wind coverage. A lot of our people have Citizens, our residual market, wind only policies or wind and hail only policies and that qualifies as well.

We also require flood insurance for those that are in a special flood hazard area. And it's a first to apply basis. We have an online system and we open it up and you have to be on line, and you have to get in and you fill out the application and if you're not in that first 500 or 1,000 or whatever number we set, then once it fills up you're not allowed to complete the application. And we do that for a variety of reasons. One is so we don't have a lot of personal information of people that we're not going to be giving grants to. And also, we have evaluators in the program and these are people who are IBHS approved. They're usually people who are building inspectors. I have one on our list who is an architect. Some of them are claims adjusters. There's one claims adjusting firm that has a nationwide relationship with IBHS and they're the people who start the process and work through it. They've determined if the building is able to be upgraded to the standard as there are various technical requirements that they have to meet. They have to go through IBHS hurricane training and high wind and hail training so that they know what the different standards are for the different zones. If you're on the coast, you have the hurricane standard that you have to meet and if you're farther north, you meet the high wind and hail. And then we have ethics rules in our regulation for the evaluators. And the primary thing there is that you can't be an evaluator and be a contractor or a roofer in the program and the same is true for the contractors. And that prevents someone from going and evaluating someone's business and then another contractor who's also an evaluator, evaluating that person's business. So, it keeps people from developing too close a relationship and that was something that Alabama had added to their regulation last year before we did our regulation.

And then of course you have the roofers and contractors and they have to complete the hurricane and high wind and hail certificates from IBHS. There's a roofer certificate and then a professional certificate which is a general contractor. Most of the people we have are registered with us as roofers and have the roofer license or registration with the contractor board. And the next requirement is license or registration. And then of course they must have certain insurance coverage and I think it's \$1 million of commercial general liability (CGL) coverage and they must have workers comp coverage. And that's a requirement that IBHS has for the people on the IBHS approved list. And as I said earlier, they have the same ethics rules as the evaluators. And then our grant application process is online only. So you get on and you have to do everything online and some people have a little difficulty with it but once you hit the apply button and get in the application it's very simple so it's not very difficult to get past that once you get in. The process is homeowner driven. We do have a list of approved evaluators and approved contractors but we don't tell the homeowners that you must use this contractor or this evaluator. And so they have to every step of the way make the decisions and we try to keep a light touch on those decisions. It's overseen by our staff. We have a three or four people administrative staff

who review the applications for completeness and make sure that they meet all the requirements. We check the insurance documents and make sure everything is straight. And we check the homestead exemptions and the flood zones. And we have pre-inspection or pre-site inspection reports from the evaluators which is how we determine their eligibility to move forward that they have a home that has an adequate foundation and it's in good repair. That's reviewed by our staff. For lessons learned, there's an internal administration burden. It does take time to go through all this, and we're in the middle of doing a total of 3,000 grants in just a few months. Alabama has been doing 1,000 grants a year and they're spaced out a little bit further. But we were given a lot of money and we wanted to get people in the program and start doing roofs before the next hurricane season or have them completed before the next hurricane season.

So, that's something that if you're thinking about doing one of these programs you have to think about the internal administration. We can validate homestead exemptions and flood zones online but when you review insurance documents that takes time because you have to get them uploaded from the policyholders and the homeowners and then you have to go through them. And if you're not familiar with reviewing insurance documents it can take a little time as they vary from company to company. So making sure that they have wind coverage is sometimes a little difficult. You have to start reading the fine print. And the learning curves are steep for everyone, myself included. I'm not a contractor, I'm a lawyer by trade. And the administrative staff they don't really have much, if any, contracting background. A couple of them have actually gone through some of the online training though and have learned a great deal and it's a pretty impressive body of knowledge they've absorbed. And as we work through this we're learning a great deal. We also have a contractor and evaluator workforce, many of whom are fairly new to the process. Even though they've completed the certificates and met the IBHS approval requirements, some of them have done a few roofs and there's some of them have who maybe have done one or two and maybe hadn't even done one yet. So, we do provide a fair amount of oversight through our pre-inspection, pre-site inspection process and then we have a bid review process that we adopted from Alabama. We have a standard bid sheet for the contractors and part of that is to make sure that they are addressing the issues that have been raised by the evaluators. And so, they're all kind of learning how to do that and this afternoon we had a Zoom meeting and our people get online with IBHS and our contractors and roofers or evaluators and they ask questions like "how do I deal with this problem?" We have a lot of peculiarities of construction and so that's one of the things that we've been dealing with and our staff is new to construction terminology and the administrative requirements but they've learned pretty fast.

And then of course every area of the country has peculiarities of construction - an example being a dry stack foundation. That's people who have bricks or blocks that are stacked up without any mortar or cement between the bricks. And that's what they have the house on. You can't put a Fortified roof on a house that is likely to get blown over. They won't certify it. And then there are certain things like in the New Orleans area they have something called a ridge tile and it's something I'd never noticed but if you drive through New Orleans, you'll see a lot of houses that have tiles along the ridges of a shingle roof and they won't certify those as Fortified. People who have those have to have them taken off because IBHS hasn't figured out a way to test and certify a ridge tile. But those in other areas of the country I'm sure have their own peculiar construction issues and that's the kind of thing you have to watch out for. And we've benefited from a relationship with IBHS and Smart Home America and they've been very involved in Louisiana for the last several years. They've been pushing this in the building trade groups in the New Orleans area and with the insurance groups even before we were doing this grant program. And so they laid the groundwork. And we have a large workforce of contractors who've been approved. We have 111 contractors that have met all the approval requirements and we have

30 or so evaluators and the evaluators have their own workforce that goes out and does the legwork for them. But to compare, Alabama's been doing this for several years and they have 15 evaluators and they have about 30 contractors. I talked with an Alabama contractor this afternoon who wants to sign up for our program as well. So we have managed to get a lot of people. So, as we're moving them through there's plenty of competition out there to keep the prices down on the roofs. And it has had an effect on the bids that have been coming in. Anyway, these groups have supported developing our process and our forms. The pre-site inspections and the bid sheet, we borrowed heavily from Alabama but we have changed both of them to address the issues that are peculiar to Louisiana. And like I said, this afternoon we had our office hour type meeting and it's a question and answer session and we put out information to the participants. We also have a dedicated IBHS e-mail for questions after our program so if someone's participating in our program, they can use that e-mail address and it goes into a priority mailbox at IBHS and they get a fairly speedy response, usually within a day.

For recommendations for those who might want to establish a program like this, the first is to establish the relationships with IBHS and Smart Home America as they have lots of resources including demonstrations at their site. They've done visits for Alabama legislators and I got to go to one of those along with the Rep. Jordan and another members of our insurance committee and some of our staff. And we got to learn about the Alabama program in depth and we also got to see a lot of other research and the testing that goes into the various Fortified roof elements. They have a farm out there where they age shingles - they've been out there for years and they'll bring a panel of them in there and they'll have an ice gun and they'll shoot hail balls at it and steel balls. They do all kinds of things like that to test that. They have a wind tunnel for testing the ability to withstand high winds. And we've established relationships with other state mitigation programs, particularly the Alabama program, but we've talked to people in the other programs as well and we got a lot of knowledge there and learned from some of their mistakes. One is that, and Alabama continues to do it with their applications, they open up at midnight to take applications. We were told older people don't stay up that late and for a lot of people it's not convenient. So, we open at noon so that more people can be up and at their computers and won't sleep through the application period. Also, you need to work with the various construction and housing and insurance sectors within the state. That includes groups like our Uniform Construction Code Council but also the home builders and the various insurance agent groups. Also, you need to identify the resources that are required. Fiscally, you have to figure out how you're going to fund the operating of this if you're going to sustain it long term because it's going to require people and administrative expense. Also grant funding - Alabama has a dedicated fee, I believe it's on their insurance producers, and that goes into a fund and that's how they manage their grants. We have a fund, but we do not have a dedicated funding source. We got a \$20 million appropriation this year, along with another \$10 million that's appropriated from the money that we collect for our fees and revert to the general fund and we're allowed to keep \$10 million of that or up to \$10 million of that for the grant program. So, we'll have about \$30 million, which at \$10,000 a grant is 3,000 grants. You're going to have to think about personnel. You need to think about job descriptions and whether they should be employees or contractors and what skill sets you would need. Also, you need to think about the IT support because you need to start planning that early and we spent almost a year working on our IT system and there's still a lot we would like to add to it and things that we've learned since launching the program that we would like to add.

Communicating is also very important. There's a lot of misinformation that gets spread about the program so it's important to communicate with the evaluators and contractors. And one of the things that surprised me is the number of contractors who signed up after we launched the program. There's 111 we have approved now but when we started on October 2nd we were

somewhere in the 40s or low 50s and a lot of those are people who've applied since then. And I'm not sure why they were waiting because we were hoping to receive applications for several weeks or months before the program. Also, communicating with the public is important. A lot of people don't necessarily understand what the program consists of. Some people just think it's that the government is going to come in and give them a free roof. But they do have to pay the fees for evaluators or any permits and that evaluator fee can be \$500 up to \$700. Also, it's important that they understand that they pay the excess cost of construction. So, you get \$10,000 and some of these roofs are \$15,000 or \$20,000 and they have to be able to pay that. Also, communicating with other stakeholder groups is important like insurance broker groups letting them know what's going on, and also with the insurance companies and other trade associations. And then anticipate is another recommendation. There are always going to be problems. Mike Tyson says everyone has a plan until they get punched in the mouth. And I have been punched in the mouth. There are so many things that I did not anticipate and so you just have to think about every step of the way what could happen and try to figure it out. And we thought we built a lot of stuff into our system and into our processes to deal with that but there's always going to be a problem with somebody has a special situation or complaint. So being able to have your program have the resources to be able to respond to those problems in those special situations is important.

Rep. Cheryl Lynn Stevenson (KY) asked how many contractors are participating in the program and what has buy-in been like from them? Mr. Travis stated that we have 111 as of two days ago that were approved. I've still got another 40 applications and I would say eight or ten of those just have a few things they need to get done. So, that's a lot of contractors. So, it's a huge workforce. And like I said, the Alabama program has been very geographically limited until a year or two ago. They were just in Baldwin and Mobile counties, but they've moved north and they're actually in Jefferson County around Birmingham but they still only have like 30 contractors but the ones who are in it are very enthusiastic. Every time I talk to them, they think it's a great program and they want to come to Louisiana and do the same thing.

Rep. Jordan stated that before we move on to our next topic, there are some technical changes to the NCOIL Building Codes Model Act that are wholly separate from the premium discount amendments that are also sponsored by Rep. Dunnigan. These amendments are found on page 258 in your binders and as you can see they are very technical in nature and really just serve to bring the model up to date in terms of references within the model. Hearing no questions or comments, upon a Motion made by Rep. Lehman and seconded by Rep. Pollock, the Committee voted without objection to re-adopt the Model with the amendments.

Rep. Jordan thanked everyone and stated that the Model with the amendments will be presented to the Executive Committee for final ratification on Saturday².

CONTINUED DISCUSSION ON NCOIL PUBLIC ADJUSTER PROFESSIONAL STANDARDS REFORM MODEL ACT

Rep. Michael Meredith (KY) stated that for those of you all who were at the Minneapolis meeting, we introduced this Model there and had a very robust discussion. This model is based off what we adopted in Kentucky during our last legislative session following the severe floods and

² The following submitted witness slips in support of re-adoption of the Model with the amendments: John Ashenfelter, Associate General Counsel at State Farm; Jon Schnautz, Assistant VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC); and Paul Martin, VP of State Relations at the Reinsurance Association of America (RAA).

tornadoes that we had in the state. And I think we're getting pretty close to what I think is a good piece of consumer protection legislation with this model act. If we can get everybody's schedules to align, I would like to actually have an interim meeting of the committee before the April meeting in Nashville so that we can have a committee vote on this model. But from today's perspective as far as the discussion goes, like I said we had a very robust discussion about it back in July in Minneapolis and I think there are really two things still being discussed back and forth and those are around the conflict of interest provisions and the fee cap provisions that are in the model. So, I hope that's what we will discuss today as we go on. I do want to recognize we do have our Commissioner of Insurance, Sharon Clark, in the room from Kentucky. She has done great work in implementing what we did in our state. So, I want to recognize her and her team for their work that they did on our bill while we're here. But again, I would like to move on into the discussion about fee caps and conflict of interest. From my perspective, I think both of those things are very important and need to remain in the model from a consumer protection standpoint.

Jon Schnautz, Assistant VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for the opportunity to speak and thanked Rep. Meredith and the co-sponsors, Rep. Lehman and Del Westfall, for their work on this. We are here in support of the model today with some additional clarification if we can find agreement on it. When we spoke to the model back in Minneapolis, we were generally supportive of NCOIL having the model here but had some very important clarifications we thought needed to be made. Those clarifications have been made. I can go through them if the committee would like, but otherwise I will spare you. But our goal was to have something that every state could take back and use to strengthen its protections of consumers in these particular areas. We don't think this model is perfect. If we were writing it, we would add some other things to it but we do think it has reached a point where it can serve the function that a good model can and should and the perfect should not be the enemy of the good. We think it should move forward as soon as the Committee is ready to do that. I do want to say a couple of quick things just to add a little to what I've said so far. One of the things I want to note is most of the provisions that have been added since the summer meeting are based on provisions that already exist in Texas law and they have existed in Texas law for 20 years. So, when you hear anyone talk about the possible implications of having these in the model, that's not really a hypothetical thing, because they have been on the books for Texas for 20 years and we know what the impacts are and we can assess those fairly well. The final thing I would just mention to the committee. I don't remember if this came up during the earlier discussion. I do want to make NCOIL aware that the National Association of Insurance Commissioners (NAIC) is moving forward with its own set of amendments to its Public Adjuster Model Act. The two are a little different. They focus on some different things but they're generally pretty well aligned. But one point that I would make is one of the proposed changes to the NAIC model that we think is very positive is taking the existing fee cap language which has been optional in the model and making it a real non optional provision of the model that matches exactly with what Rep. Meredith has done in his model. And we think it's a good change.

Mr. DeCampos thanked the Committee for the opportunity to speak and stated that NICB strongly supports the model due to the important consumer protection provisions that are within it. For example, public adjusters will be prohibited from engaging in activities that could be construed as a conflict of interest, and from having a financial stake in business entities that obtained business in connection with an insurance claim. These consumer protections will help deter unscrupulous public adjusters from engaging in deceitful and fraudulent business practices. For example, signing up consumers for services that they do not need, that they never asked for, and in some cases, have no knowledge that they even occurred. Such as signing up consumers

for additional subcontractor work or even signing them up with a law firm without their knowledge. As the committee continues its consideration of this model law, NICB strongly urges the committee to ensure that these critical consumer protections remain unchanged and in place because they are there specifically to help consumers from some of this predatory behavior.

Cole Klein, President of the American Association of Public Insurance Adjusters (AAPIA), thanked the Committee for the opportunity to speak and stated that AAPIA is a national association that represents members all across the country that service policyholders with average and smaller size losses. We did submit some drafting notes to the model and if anybody has questions about those you can feel free to ask me. They were pertaining to the drafting note that followed the fee cap language and we suggested that it be optional and with corrective language regarding some of the states having higher and lower caps. And with the wording of the contract section near the end of the model, we suggested language which is similar to Pennsylvania's regarding home improvement contractors. We also had a question regarding the section that says a public adjuster may charge a reasonable fee that does not exceed inclusive of all compensation the public adjuster is paid on a claim. Specifically, we question what "inclusive of all compensation" and whether that includes expenses incurred by the public adjuster on the insurer's behalf to be reimbursed back to the public adjuster.

Del. Westfall stated that I like the current model we have. I think it is getting better. I was hoping for a vote today, but I'm anxious to hear if we possibly could vote on this during an interim meeting sometime between now and April. I'd also like to ask that I be added as a co-sponsor of the Model as I plan to run some version of this in West Virginia in January. Rep. Meredith replied yes to Del. Westfall being added as a co-sponsor.

Rep. Lehman thanked Rep. Meredith and stated that we've had quite a few conversations and we passed a similar bill in Indiana. We did not address the fee caps and I think that's something we can have further discussion on. But I do think what's overarching all of this is this is a good model because it really is a consumer protection model. And I hope we can get this to a place where we get something out so that we can get it to our legislatures as soon as possible.

Rep. Jordan stated that many of you are aware that we've had something similar to this in Louisiana. I still have some issues with it as presented. I do believe that some of the language still, as it relates to Louisiana, encroaches on the unauthorized practice of law. We have addressed some of the contingency fee issues. We do not allow for that. But again, I think as Mr. Schnautz said, I'm certainly not going to let the perfect be the enemy of the good. Those issues that we have in Louisiana, I think we can continue to fight those in Louisiana and for the other states, if it's a model that's acceptable by the majority of the group, then I think we move forward with that. But I would just note my objections that I have for the record³.

CONSIDERATION OF PROPOSED AMENDMENTS TO NCOIL DELIVERY NETWORK COMPANY (DNC) INSURANCE MODEL ACT

Rep. Jordan stated that last on our agenda is the consideration of proposed amendments to the NCOIL Delivery Network Company (DNC) Insurance Model Act, sponsored by Del. Westfall and Rep. Pollock. We discussed these amendments during our interim meeting in September and they really serve as clean up amendments. I'll now recognize Brad Nail, of Converge Public

³ John Ashenfelter, Associate General Counsel at State Farm, and Anne Marie Franklin, Gov't Affairs Manager at the Kentucky Farm Bureau, each submitted witness slips in support of the continued development of the Model.

Strategies, who led the interested persons discussion group on this Model last year, and this, year, and he can briefly summarize the amendments.

Mr. Nail thanked the Committee for the opportunity to speak and stated that this committee in 2022 considered and ultimately adopted the model for DNC insurance. Bills were introduced and passed in North Dakota and in Indiana with some changes to the minimum limit requirements and they were introduced in a handful of other states. Through those legislative activities some of the stakeholders saw some minor amendments that could make improvements to the model language in advance of future introductions in their states. So those changes are technical or clarifying in nature based on that experience and feedback. And Mr. Chairman, the materials are in your meeting materials and it's all fairly self-explanatory, but obviously I'm happy to answer specific questions anybody has on any of these amendments.

Hearing no further questions or comments, upon a Motion made by Sen. Paul Utke (MN), and seconded by Rep. Carter, the Committee voted without objection by way of a voice vote to adopt the amendments.

Rep. Jordan thanked everyone and stated that the amendments will be presented to the Executive Committee for final ratification on Saturday⁴.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Utke and seconded by Rep. Lehman, the Committee adjourned at 5:00 p.m.

⁴ Jon Schnautz, Assistant VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC) submitted a witness slip in support of the amendments.