

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
PROPERTY & CASUALTY INSURANCE COMMITTEE  
2024 NCOIL SPRING MEETING – NASHVILLE, TENNESSEE  
APRIL 13, 2024  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at The Sheraton Grand Nashville Downtown Hotel in Nashville, Tennessee on Saturday, April 13, 2024 at 9:00 a.m.

Representative Forrest Bennett of Oklahoma, Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Justin Boyd (AR)	Sen. Vickie Sawyer (NC)
Asm. Tim Grayson (CA)	Sen. Jerry Klein (ND)
Rep. Linda Chaney (FL)	Rep. Brian Lampton (OH)
Rep. Matt Lehman (IN)	Sen. George Lang (OH)
Rep. Michael Sarge Pollock (KY)	Rep. Mark Tedford (OK)
Rep. Edmond Jordan (LA)	Rep. Tom Oliverson, M.D. (TX)
Rep. David LeBeouf (MA)	Rep. Jim Dunnigan (UT)
Rep. Brenda Carter (MI)	Sen. Mary Felzkowski (WI)
Rep. Mike McFall (MI)	Del. Steve Westfall (WV)
Sen. Lana Theis (MI)	
Sen. Michael Webber (MI)	
Sen. Pauk Utke (MN)	
Rep. Nelly Nicol (MT)	

Other legislators present were:

Rep. Deborah Ferguson, DDS (AR)	Asm. Roy Freiman (NJ)
Rep. Jeff Keicher (IL)	Asw. Ellen Park (NJ)
Sen. Mike Gaskill (IN)	Rep. Ellyn Hefner (OK)
Sen. Beverly Gossage (KS)	Del. David Green (WV)
Rep. Mike Harris (MI)	Del. Walter Hall (WV)
Sen. Mark Huizenga (MI)	Del. John Paul Hott (WV)
Rep. Jerry Neyer (MI)	
Rep. Bob Titus (MO)	
Sen. Natasha Marcus (NC)	

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 Sen. Vickie Sawyer (NC), 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 Sen. Michael Webber (MI) and seconded by Rep. Nelly Nicol (MT), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 17, 2023 meeting, and the minutes of the Committee's February 2, 2024 interim meeting.

### INTRODUCTION AND DISCUSSION OF NCOIL STRENGTHEN HOMES PROGRAM MODEL ACT (Model)

Rep. Jim Dunnigan (UT), sponsor of the Model, stated that I'm looking forward to our discussion today as we continue to work on this Model. Let me provide a little bit of background and just kind of summarize what's led us to this point. I started last year by introducing a model that was essentially only Section 4 of the model before you today. It required insurers to provide an actuarially justified premium discount to insureds that retrofit their homes and bring them up to certain standards. As I've looked into the actuarial justified concept, it still needs some more work. It's got some challenges. And also, upon further consideration, I wasn't convinced that such a policy would really move the needle by itself. So, I withdrew that proposal. But I'm still very interested in policy that overall incentivizes people to take steps to strengthen their residences from natural disasters. As you know, natural disasters are a big area from East to West Coast and that's why I'm working on this. So, that brings us to the model before you today. It still contains the language regarding the premium discounts but as I said, that needs more discussion. But on the front end, it establishes a strengthen homes program within the Department of Insurance that provides grants to people to retrofit their roofs to certain standards. I think the grant program is critical to make the policy worth considering. As some of you may know, this concept is actually proving to be very popular as it has recently either been enacted or introduced in several states. And in fact, I know the sponsor of those bills and laws may even be here today. So, now's a good time for NCOIL to be involved in this area of insurance policy. It's a chance for the organization to provide guidance and leadership to other states. I look forward to hearing everybody's feedback on this model and I'm certainly open to suggestions on how it can be improved. This is a first draft and hopefully we can make progress for our November meeting. This is a little aside, a month or so ago, I attended the National Association of Insurance Commissioners (NAIC) meeting in Phoenix and this is on their radar and they're doing some analysis and study on the availability of insurance to cover these natural disasters, where there's hurricane, hail, fire and so, they're going to do some good work on this as well.

Rep. Bennett stated that we'll start with Brian Powell with NAIC's Center for Insurance Policy and Research who actually was the former director of the Alabama Strengthen Homes Program which I understand was the first state in the nation to implement this type of program. Also, Oklahoma is now running some very similar legislation to the model under discussion today.

Mr. Powell thanked the Committee for the opportunity to speak and stated that I recently retired from the Alabama Department of Insurance and started working for the NIAC. While at the department I worked in various roles, more notably the deputy receiver for the State of Alabama for a while and then I moved to the director of the Office of Risk and Resilience and then retiring as a Deputy Insurance Commissioner. Also, during my time there I developed the strengthen Alabama homes program and was the founding director and oversaw the program until my retirement. So, I oversaw the program for about 10 years in operation but during the development from the legislative piece forward was about 13 years. The Strengthen Alabama Homes Program is a grant program that offers grants in the amount of up to \$10,000 to Alabama homeowners to retrofit their homes to the Insurance Institute for Business and Home Safety

(IBHS) fortified standard for hurricane and high wind and hail. I believe Tom Travis from Louisiana spoke to this committee last year on the Strengthen Louisiana Homes Program. And just to note that Louisiana program is basically a carbon copy of the Alabama program. To date, Alabama's program has issued approximately 7,000 grants to Alabama homeowners but what it's really done is it's really worked to create a culture of resiliency. And working with partners like the Robert Wood Johnson Foundation where we utilize the \$250,000 grant that foundation was kind enough to grant the Strengthen Alabama Homes Program. We've been able to perform some pretty outstanding work on outreach and education, especially through the most economically challenged parts of the state. Educating homeowners on the benefits of insurance and basically creating a resilient home. Strengthen Alabama homes also partnered with nonprofit organizations such as Habitat for Humanity to bring additional resources to the table. And also partnering with the insurance industry to meet some of their strategic goals and some of their community programs. Recently we partnered with Protective Life Insurance Company out of Birmingham and mitigated homes in the downtown area and these were the most economically challenged areas of Birmingham. And what we've seen is a very successful initiative that has mitigated homes and now those homes are insurable. And what's more is that the insurance is affordable for those homeowners. To demonstrate the cultural of resilience that's grown in Alabama, of the 62,000 fortified homes in the U.S., 58,000 of those are in Alabama. And those numbers are as of last week. As there was market interruption in the early 1990s and continued deterioration of the state's insurance market into around 2008, 2009, regulators agreed that there was a need to stabilize insurance markets, especially on the southern coastal parts of Alabama. In 2007 we particularly saw the market have about a negative 7% return in the investment. And in 2011 after the Super Tornado outbreak the losses were even higher than that. In order to stabilize the market, it was realized that in order to change the economics after the storm you had to act before the storm to prevent the loss through legislative support and the resilience movement began for Alabama. And that's when Strengthen Alabama Homes was established.

Fast forward a decade, we're starting to see the development of other programs in states like I mentioned before in Louisiana and I've personally worked with those programs. I've also worked with the development of programs in North Carolina, and Minnesota and last week received an e-mail from the Kentucky Insurance Commissioner that their legislation had been passed and they will start standing up a program. It's apparent that states are using the Alabama model to establish these programs and why should we reinvent the wheel? But the program is absolutely critical, in my opinion, for the success of the insurance markets in the states that are most vulnerable to losses due to these natural disasters. In response to that need the Commissioners are telling the NAIC that they need resources and the NAIC Center for Insurance Research and Policy has established the resiliency hub. The resiliency hub is designed to support those insurance commissioners in establishing the operations of these types of programs. The type of support that the hub can provide is things like data analysis, program operation design and implementation strategy and provide subject matter experts and resources and counsel on the operation of these programs to help ensure the success of the departments and programs. I would like to add that the resiliency hub is also a resource for insurance legislators. We have experience and resources to support any legislation the state may be considering to use, including NCOIL. We would certainly offer our resources to help you in any questions or any concerns you may have because of our experience with that. So, if your state is considering enacting legislation to establish a program like the Strengthen Alabama Homes program please feel free to reach out to me. We can discuss the feasibility to include these options for funding that doesn't necessarily come from your state general fund which is always a good thing. I would like to be a resource or in some way help you with the work that your state is trying to do.

Frank O'Brien, VP of State Gov't Relations at the American Property Casualty Insurance Association (APCIA), thanked the Committee for the opportunity to speak and stated that we have spent some time over the course of this meeting yesterday talking with the Commissioners regarding issues of availability and affordability. Later today, there will be a general session that will take a look at that topic as well. Availability and affordability issues are important and I don't have to tell you because you're seeing it in your legislatures and you're getting calls from your constituents, etc. The key to improving insurance affordability and availability is reducing overall losses. Mitigation of the type that has and is taking place in Alabama, legislation that has just recently passed in Kentucky is a key to making sure that availability and affordability issues can be resolved overtime. Mitigation prevents losses, prevents loss of life, prevents loss of property. It is just the right thing to do. The legislation that is before NCOIL right now provides a good basis to develop a model for the states to utilize. NCOIL is the place we believe to have that discussion and for NCOIL to play the role that it had displayed in previous years as the convener of insurance legislators on insurance issues. We think this particular draft is just that, a draft. It has some things that we think need to be fixed but it provides a good basis for moving forward and we look forward to working with NCOIL on this issue.

Wes Bissett, Senior Counsel at the Independent Insurance Agents and Brokers of America (IIABA), thanked the Committee for the opportunity to speak and stated that before I address this specific model, I do want to thank NCOIL for its recent focus on the hard market crisis that we find ourselves in. It's really an unparalleled crisis in recent years. It's hitting every part of the country, not just coasts and earthquake prone areas. And there are not a lot of great public policy responses that immediately address the hard market. But there are things you can do to help reduce losses and take unnecessary costs out of the system. This model is a great way in which you can go about doing that. You can stop certain claims from ever happening with a model like this. You're going to talk about a Model Law later this afternoon in the Financial Services Committee, the third-party litigation finance model, that would help I think also remove costs from the system. And we greatly appreciate the focus of NCOIL on the hard market right now. With regard to this proposal, we really thank Rep. Dunnigan for his work on this. We think this is a fantastic proposal. It's got two components you've heard most about Section 3 already. Let me talk a little bit about that. The first component, Section 3, creates the grant program that you've heard the other speakers talk about. It would help and encourage consumers to retrofit and upgrade their roofs. It does have a proven track record in Alabama. Other states are picking up on the concept and already considering laws of their own. So, there is very much a need for a vetted Model Law in this area. The interest is there. States are acting. It's a great opportunity for NCOIL to lead. As you consider that particular section, we'd encourage this committee to consider perhaps adding a little additional meat to the bone. The proposal as drafted right now gives a significant amount of power and authority and discretion to Insurance Commissioners to design these programs as they see fit. And a certain amount of discretion is helpful. You want this to be a living and breathing program and not have to go in and change it statutorily all the time. But we do think in certain areas it would be helpful to be a little bit more specific such as how can grant dollars be used? What can grant dollars not be used on? What types of homes can receive grants like this? Can second homes or vacation homes receive grants like this? And what are the eligibility requirements that apply to contractors and evaluators? We think those are important elements.

Section 4 is the second component of the bill, and this addresses how consumers will be treated from an insurance perspective after they have installed a fortified roof. If the consumer takes an action that notably reduces the likelihood that they're going to have a claim, they will naturally expect that there will be some sort of insurance benefit that follows from that and that's what this section ensures. Companies tell us all of the time that they established the rates based on the

potential for losses. They also tell us that the likelihood for a roof related loss drops significantly if a fortified roof is put into place. And so, all this section causes is it holds the insurer's feet to the fire to some degree. It says that a consumer that takes the steps that have been suggested by insurers now for several years that they can receive some corresponding benefit from that. This section is not prescriptive. That benefit could come in the form of a reduction in premiums and adjustment in the deductible or in other ways - it doesn't prescribe any particular dollar amount or percentage. It leaves all of those things to the insurer and they can take whatever action is warranted from an actuarial perspective. And if we're talking about incentives, we cannot establish a program that we say, "hey, consumers go out and put on this great fortified roof but you maybe won't get any sort of insurance benefit from that at the end". There's got to be something that comes from that and we think that leaving the discretion in the hands of the companies is appropriate but there will be some requirements to have a corresponding insurance benefit that stems from that. In terms of potential revisions to that section, we do encourage some revisions to subsection (c). We think it would be helpful to delete paragraph (c)(4), for example which imposes unnecessary paperwork requirements on consumers. And we're concerned that paragraph (c)(5) is a little bit inflexible. It could potentially make it difficult for insurers and agents to work with consumers to make sure that they get the discounts and credits that are warranted. Before I wrap up, there are a couple of related issues that I wanted to flag for you to think about. First, this proposal was sort of built on for very valid reasons the fantastic research and good standard setting work IBHS has done for years. They are the gold standard. You've heard from them in the past. But as states consider and enact laws of this nature it's going to be important for state policymakers to monitor the work of IBHS. They're going to be given considerable authority to set standards. They're going to have the power to approve or not approve contractors and evaluators and you as policymakers are going to want to make sure that they're doing that work appropriately and not being inappropriately enriched as that happens.

Our focus in this area has peaked recently by what we view as a very troubling decision by IBHS. Until recently the IBHS had a database that all insurers and agents in the country could go on and see which properties had met this fortified roof standard. And it was helpful for my members to be able to look at that and ensure that their customers who had a fortified roof were getting the discounts or credits that were warranted. But what IBHS did in its infinite wisdom, and I say that as sarcastically as I possibly can, they decided that they would close off access to that database only to the insurance companies that pay dues to IBHS. And so, my members no longer have the ability to go on this website to see which homes have that fortified roof and it makes it harder for my members to serve their customers effectively and it's a private benefit to the members of IBHS now. It makes them look more like a trade association and deviates from their traditional nonprofit mission. We are encouraging IBHS to reconsider this decision and companies perhaps in this room or members of NCOIL that feel the same way that we do, we'd encourage them to weigh in. Secondly, I want to note that state mitigation grants of this nature are currently subject to federal taxation. There is legislation in Washington that would change that, the Disaster Mitigation and Tax Parity Act would eliminate that sort of taxation. We had over 1,000 insurance agents in DC this week lobbying on that bill trying to get more co-sponsors on it and it might be something that NCOIL would want to take a look at as it considers this model as well and as more states establish grant programs.

Jon Schnautz, VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for the opportunity to speak and stated that to build on one of the points that was made earlier, this is a good example of talking about the answers before you've asked the questions. There's a definite tie in to the general session later about availability and affordability and we think particularly in the funding aspect this is one of the things that can be done at the state level to actually address some of the affordability and availability issues.

And part of the reason for that is it's focused in the right area from our perspective and that is how do you mitigate? How do you deal with the underlying risk that is driving insurance rates? And we think this is a good example of the right focus. I also want to express some gratitude to Rep. Dunnigan and to NCOIL as when the mitigation discount issue was first brought up last year in regard to amendments potentially to the NCOIL building code model, we're in favor of resilience and we do appreciate that those two conversations were delinked. We urged NCOIL to go ahead and readopt the building code model with some improvements and that was done. And that's much appreciated. We had also at that time encouraged a couple things. One was looking at the direct funding issue for resilience that is in the model in front of you right now. So, thank you for that. And we also suggested that you look at the catastrophe and mitigation savings accounts idea and I think you're going to hear more about that at the panel later today as well. So, in terms of where to go from here? A few points. I guess the first one is please don't forget, even though it's already been readopted, about the crucial role of building codes here. In a sense, what we're talking about here is an enhancement going beyond the building code. But don't lose sight of the fact that 33 states in the country either do not have a statewide baseline building code or they do not enforce the one that they have. So, we have some work to do to go back to the building code to get to the best possible baseline on which these kind of improvements can be made and we think it's important to keep that linkage there.

The second point on the model specifically and I think Mr. Bissett made some great points that we would echo on the specific issues that need to be considered and tweaked there. But another one is, and I think this is something all of you are familiar with as state legislators, don't forget about federal funding. The federal government, to its credit, in the last ten years or so has gotten more serious about front end resilience funding and that is in part because of losses through the flood insurance program and other issues where so much money is continually put into the back-end response and they have finally woken up to the idea of what if we do some of that upfront? Programs like the Building Resilient Infrastructure and Communities (BRIC) program. Those sorts of funds are already there. They can be used in limited fashion for these kinds of programs. They're very competitive. We have urged the government to expand that. I think that's a great thing for NCOIL to do is use that money to the extent that you can. I would also add one of the most important criteria there is having a statewide enforced building code if you want to be competitive. So again, to build that linkage in. Just to briefly pivot to the discounts and then I'll stop. So, this is obviously the part of the proposal that gives us the most concern but I will say we are very open to having this conversation. As an initial point, we would urge, and I think this is being followed, that the discount proposal be considered as part of a list of other items that you start with building codes, that you go to funding and that discounts is a follow on idea to that and that no one has the idea that you should go straight to the end and just do the discount. And we don't really have to hypothesize about what happens in that circumstance because Oklahoma did a discount without any of the rest of it and got somewhere in the neighborhood of a double-digit number of fortified homes out of it and that's not doing much. And Alabama did the opposite and showed actual results. So, we have many concerns about the discount, but the main point is if you do it alone it doesn't do anything and it is that simple in terms of the impact on the ground.

The other point I would make is mitigation discounts do already exist and there is already a market incentive for companies to use them because of the very fact that they do reduce the underlying risk. To Mr. Bissett's point about there should be an insurance benefit, I don't think we disagree with that conceptually. In some cases, of course, the insurance benefit could be the availability of insurance itself. We talked about availability, that is a real issue and I don't think we want to lose sight of that but to be clear, we're not suggesting that we don't think a well-structured discount can be part of this proposal. We think it can. Just keep those issues in mind.

And we would encourage as much flexibility as possible in the way you structure it. Don't let it get in the way of companies still innovating and competing in this area. Don't let it turn into you do Y and you get X discount. And that applies across the entire market. And I think that's the approach we would prefer to avoid. The final point I want to make as it hasn't been addressed yet, when the model came up last year, I know one of Rep. Dunnigan's main concerns was wildfire. All of the proposals before you today are about wind and hail and that's because some states have sort of cracked the code we think on how to structure a program there and how to do discounts. The proposals you have today don't address wildfire and it is not as easy an issue to address. And one of the reasons for that is that, and I know you've heard about this last year, wildfire is a trickier peril. You can't do as much sort of cafeteria style mitigation and expect to get proportionate benefits. If you look at the IBHS research you have to do it all if you really want to get the benefit. The second issue I would just briefly mention is community resilience there is a bigger deal. If I mitigate my home a lot against wildfire and my neighbors do nothing the benefit is much more attenuated than it is in the wind and hail world.

Rep. Matt Lehman (IN), past NCOIL President, stated that something Mr. Schnautz said really caught my attention talking about the loss mitigation and incentives and you said it could possibly get to availability itself. So, that's always been my concern on a lot of this technology is availability. Whether you give a discount or not, that can be debated. And I think you should. But, on the availability issue, and then you brought up wildfire at the end of this, if carriers are going to continue to use more technology on my house and now you're seeing tree scores where we can say, "you've got too many trees around your house." Are we going to get to where you are going to give me an incentive to cut down trees which would help mitigate fire? Have we been giving incentives on the coastal states when it comes to hurricane proofing homes? My biggest concern with all of this is are we going to begin to push people out of the market of availability? What if I can't get the grant? Because I'm going to have to put some of my own skin in the game, right? But I can't do that. So, I still have that asphalt roof. I still have five big trees around my house. Am I going to reach a point where availability itself becomes an issue?

Mr. Schnautz stated that fortunately, I don't think most of the country is at that point with the insurance market as a whole. But the idea that every company could write everywhere if certain mitigation was done I don't think is accurate. There are companies who simply cannot expand their risk profile in certain states for solvency reasons that things can be done about, but they're big picture things. There are things like this that we deal with underlying risk. I didn't want to leave the impression that a mitigation discount is always the end result. There may be companies for whom, if you do mitigation you get them to a point that their risk profile for that state changes and they can at least offer coverage. So, that's really the point I was trying to get to. I think those sort of concerns are there. The California market right now is a pretty good example. There is a real on the ground availability issue with the broad market that is hard to overestimate. I mean it's a real thing. Now across the country is that everywhere? No. And I hope it won't get there. But the impression I really wanted to leave is sometimes the benefit is just availability, just expanding the number of carriers who can actually write there in the first place.

Rep. Lehman stated that what I'm seeing right now in a hard market is it's usually what ushers in the restrictive market because it is an opportunity to say I won't write a house anymore that has X. Or I won't write a property that has Y. And so, if that becomes the standard I think we're really going to have an availability problem with a good portion of homes in the U.S. And Indiana is in a hail area. We've had some really bad hailstorms recently. But if we start to say, unless you have that kind of a roof we won't write you, that's where I think some of this has the potential

to go. It hasn't gone there yet but I think it has the potential of going there and that's very concerning as a public policy maker.

Rep. Dennis Paul (TX) stated that I'm a structural engineer and actually practice on the coast. A couple of questions here and I think Mr. Schnautz you mentioned a little bit that you're going to go beyond the building code. What does that mean? Mr. Schnautz stated that I was referring to the fortified designation as going beyond the code. Of course, in Texas you've got the WPI-8 process through the Texas Windstorm Insurance Association (TWIA) which is sort of a quasi-enhanced code because if you ever want to get into the wind market there, you've got to qualify for that. And so, that sort of acts as an unofficial, even in the unincorporated areas, enforced code in those barrier counties. But what I was specifically referring to is the fortified designation by its very nature is going beyond what a typical building code would be. Rep. Paul asked what is a fortified roof? What would you do that's different? The building code allows you to make sure you can go through the wind speed that's been determined by the code. What would you do beyond that? Mr. Schnautz stated that one of the other panelists can probably answer that better. I'm not going to be able to give you the technical specifications for what goes into making the roof fortified but it's essentially keeping it from blowing off, keeping it from being damaged by hail, all sorts of perils but all focused on wind and hail.

Mr. Powell stated that when we say fortified we're actually using that as a general term because there are actually three levels of fortified. And to your question, what is fortified and how is that beyond code if the minimum code protects against wind? Well, some of the components that go into the fortified program are things like waterproofing so even if you lose the shingles on your home your home still stays waterproof because of a couple of different technologies that can be applied. So, that's one particular element. Another one would be, along with severe convective storms especially, fortified protects your home against hail. So, although you're thinking of it from a wind perspective and the roof staying on it also is resilient to those impacts of the hail damaging the shingles so that they don't come off from the wind. So, those are just some of the elements. But like I said, there are three levels of fortified and actually two different fortified programs. There's one for hurricane and there's one for high wind so it's a little more complex than just fortified but we use fortified as kind of a general term.

Rep. Paul stated that I know there's a society that's running around trying to that you could get this certification. The other thing was as far as enforcement going on, you mentioned something about a statewide code enforcement or agency. The way it is in Texas, and I would imagine most states, local governments certified the code. Texas does have a minimum code but there's no enforcement. But the local communities also have their own code and it's usually stronger than with the state minimum is and they do enforce it. If you're out in the county somewhere that your county doesn't, there's no enforcement. So, you're suggesting that the only way to do this would be have statewide certification of the structure? As Mr. Schnautz mentioned, we have this WPI-8 process in Texas which is a convoluted thing but it still only tells you to build to the building code. So, how would you do enforcement of this? Mr. Powell stated that as part of the fortified certification there's actually a third-party evaluator that's involved that is trained to understand building construction and also the application of the fortified program to that particular structure. So, what you have is you have a third-party evaluator that will come in and evaluate that. Now, one thing that we did with the Strengthen Alabama Homes Program is we required building permits to be purchased for every construction project. So, now what you have is you have your building code officials that have a follow up if they so choose to enforce to make sure that at least the minimum code is met which it will be with fortified more than likely. So not only following the contractors, but also the evaluators so there is a check and balance that's built into the process.



Sen. Mary Felzkowski (WI) stated that this is a grant program. I want to know why is it a grant program instead of a revolving loan fund? Because this is for private home ownership. And then why is there not an income or a sliding scale on this? Because we heard this is this going to apply to secondary homes. So, you're asking people whose homes may be already fortified to now cough up taxpayer dollars to fortify homes that may be not already fortified. So, why is this a grant program instead of a maybe low interest or revolving loan fund? Why did we go in this direction? And then why is there not a sliding income scale in this? Mr. Powell stated that a state could set it up as a revolving loan and we looked at a couple of initiatives. We partnered with the Federal Home Loan Bank at one time out of Atlanta. I think it really depends on looking at the source of funding and then the sustainability of the program. So, the Strengthen Alabama Homes Program does not use money from the Alabama general fund so it does not come out of the tax space. The program is mostly funded by the insurance industry. The state or at least the Department of Insurance receives fees that insurance companies pay like premium taxes and things like that. And legislatively we were able to gain authority to carve off just a portion of that to put that into this grant program. And we did that initially and also socialized this with the insurance industry and they were completely 100% on board with this. When you're able to mitigate a number of homes like we have in Alabama and you start seeing the market stabilize, you start seeing prices of the insurance coming down, companies coming and writing business, then we've effectively created some level of community resiliency in a lot of areas. And also the risk of that pool is reduced for those books of business so insurance companies are actually able to negotiate more favorable rates on their reinsurance. So there's a cascading effect to this. Now as far as the sliding scale, we tried that. And what we found is that folks who could potentially receive more money than others would, and we actually had a sliding scale on this, so if you were economically challenged, you received a percentage. And for equitable reasons we based it on the U.S. Department of Housing and Urban Development (HUD) requirements for loans or for benefits. And what we found is that those that were most economically challenged did not have the free cash flow in the household to meet whatever gap cost that was created by mitigating the homes. So, if a home was \$9,000 to mitigate and say we granted \$7,500, that difference was just not available to those that were economically challenged. And conversely, for those that had the means to pay for the mitigation that applied for these grants perhaps they received \$2,000 or \$3,000 and in cases along the coast the deductible for a loss was less than that so they didn't want to fork out the additional \$7,000 or \$8,000. So, we wanted to make it equitable and just make it open to everyone without an income cap but we also limit it to \$10,000 and the reason we did that was because the average household especially those for the lower incomes, it was costing about \$9,200 to \$9,300 so we were able to pay 100% for them and there was no out of pocket cost as far as the mitigation grant was concerned.

Rep. Linda Chaney (FL) stated that in 2022 we did the My Safe Florida Home Grant Program where the homeowner would put in a dollar and the state would give them two, up to \$10,000 on the homesteaded property only for roofs, windows, doors. We added garage doors in the next session. Gave you a free inspection. No obligation. The program is doing well. We refunded it this session in 2024 and we added a My Safe Florida condo pilot program because we have so many condominiums. Our biggest challenge with this program is the funding. There's a lot more need than funds but we're happy to help our homeowners. What's been reported is 70% of the homeowners who took advantage of it have either seen their insurance rates stabilize or decrease with an average savings of \$1,000 a year. So, we're feeling good about it. We layered on top of that tax free holidays so tax free for any of these mitigation items like windows, doors, hurricane things. The feedback I'm getting and the question I have for you is because of the Federal Emergency Management Agency (FEMA) limitations on the work you can do on your home, 50% of the value of the property and our communities set their own look back rate. So, we have some communities with zero, some with one year and the beach communities have five

years. So, that's limiting mitigation efforts and some homeowners have run into they get excited, they take the My Safe Florida home program, they've already done some things. Now they hit their FEMA cap and some of them have had a problem with their roof that they hadn't anticipated and then they want to go replace their roof and they're not allowed to do that. They've already hit their FEMA cap and now they're losing their insurance. So, my question is, are you hearing anything around the FEMA look backs and is it playing into this whole grant scenario? Mr. Powell stated that I've had a lot of dealings with FEMA and their funding requirements. And another thing that you're speaking to is also reflected in the benefit cost analysis that's done for qualifying for funds in Alabama. If we can solve the problem within the state we're going to do it within the state. So, looking at alternative ways to mitigate a home or to pay for mitigation is really the approach that we took in that case because if you're relying on the federal government for that, that's going to be a long, hard road to go down. And a couple of points on the mitigation money that comes from the federal government as well is that it's going to require a match and the question is, who's going to pay that match? And then also it's issued on a reimbursement basis. So, for the most part, the state's going to have to pay for it upfront. The contractor is not going to wait seven to ten years to get reimbursed for that money. Another thing that you could consider as an alternative is to consider maybe a roof endorsement where for a fee an insurance company can offer this endorsement and at the time of total loss of a roof and it has to be replaced, that is replaced with a fortified roof. Alabama came up with that concept years ago and received legislative authority to enact that. So, we have a roof endorsement and the only thing we did was basically state those terms and that also that it was to be issued at the time of the sale of policy or at first renewal.

Rep. Mark Tedford (OK) stated that my question is for Mr. Powell, I ask you to maybe expand on your comments of how Alabama has created the culture of fortified homes. I assume that this legislation can be seen as a pathway to where those in wind prone areas just voluntarily build fortified homes as the standard and that's the expectation irrespective of the credit. Is that what you're seeing in Alabama? And what were all the factors that went into building that culture? Mr. Powell stated that part of this is an education piece on the benefits of fortified and once people started understanding what fortified really is and it was demonstrated by us being able to put money into the grants and actually fortifying the homes after the storms damage assessments were done and you could see where there was real, tangible results. The President of IBHS, Roy Wright, he usually makes his comment he says that when people come up and ask him, "well how can you tell which homes are fortified and which homes are not?" And he says, "well, we color-coded them for you. The ones that have the roof on them, those are fortified. The ones that are blue are not." So, as you educate people and you start seeing the tangible results what you find is you find that communities will embrace this and Alabama does not have a statewide building code. But what has happened is that local jurisdictions have adopted the fortified standard as part of their jurisdictional building code. So, we're starting to see that grow throughout the state and I believe this year and even last year we've been pushing more toward a statewide building code that includes fortified as the roofing standard. Rep. Tedford stated that what's interesting to me is in states that have very high wind and hail deductibles, to me one of the benefits of the fortified homes is that the homeowner post claim if the roof sustains the wind event, then he doesn't have to pay the deductible, but his neighbors might. I very rarely hear that as a benefit. Are you seeing that as becoming a benefit in those areas? Mr. Powell replied yes.

Rep. Michael Sarge Pollock (KY) stated that I grew up thinking Oklahoma was Tornado Alley in our country. I think now it's Kentucky. We've actually had three tornadoes already this year touching down and causing damage. So, I echo Mr. O'Brien's comments, we have to do something and we did so in Kentucky. We worked with many of the panelists here today and we put some stuff together. I want to give a big shout out to my Insurance Commissioner, Sharon

Clark. When we talk about funding, we designated \$5million toward this pilot program to help contractors get certified, to help single homeowners look about getting that fortified roof just to find some way to offset these claims that we're seeing. A year ago in March, we had 70 mph winds that came all the way across Kentucky so we are looking at doing something and we did. And I want to thank everybody who's involved in making that happen. HB 256. We had to take action. And I just want to thank everybody involved in making that bill happen. I think we should look at this model and make it the best it can be and do some good here with it

Rep. Dunnigan stated that this has been an excellent discussion with a lot of good ideas. I appreciate Alabama and Florida and Kentucky sharing what they're doing and I'll be in touch with some of the presenters here and will continue to move forward. Rep. Bennett thanked Rep. Dunnigan for his work on the Model and stated that we will be discussing this throughout the year and hopefully we'll have something ready for consideration by the fall meeting in November. In the meantime, if you have any questions or comments please reach out to me, Rep.s Dunnigan, or the NCOIL staff.

#### CONTINUED DISCUSSION ON NCOIL CATALYTIC CONVERTER THEFT PREVENTION MODEL ACT/RESOLUTION IN SUPPORT OF STRENGTHENING STATE LAWS TO PREVENT CATALYTIC CONVERTER THEFT

Rep. Bennett stated that next on the agenda, we're going to continue our discussion on the Catalytic Converter Theft Prevention Model Act and also a resolution in support of strengthening state laws to prevent catalytic converter theft. We've been discussing this issue since the spring meeting of last year and during the interim Zoom meeting of this committee in February there was a discussion around whether the committee should proceed with the development of a model or instead develop a resolution. The idea behind a resolution is that as written now this legislation is more in the scope of criminal code as opposed to insurance code. So, we want to have a discussion about whether we want to move forward with the resolution or the Model Act. So that leads us to today. We have a decision to make on whether to move forward with the model or the resolution. You can view the model on page 198 of your binders and the resolution is on page 204. And they're on the website and app as well. I'll turn things over to Rep. Tom Oliverson, M.D. (TX), NCOIL President, who's the sponsor of the Model.

Rep. Oliverson stated that I appreciate the opportunity to continue this discussion. As you referenced, during our interim meeting I think I made my point pretty clear about the importance of this model even though it may not necessarily go through and insurance committee. That is not unprecedented for an NCOIL model to do. The reality is just simply that we're spending a tremendous amount of time at this meeting talking about cost drivers and "hard markets" and property and casualty and everybody's looking for solutions and things that we can do to help lower the cost and increase the availability of insurance. And the fact of the matter is that catalytic converter theft across our states continues to be a cost driver in the property and casualty and automobile marketplace and so taking a strong position on the issue and making sure that there are appropriate criminal actions that are occurring that are deterring, this is something that we can do. We can't control insurance rates as far as what reinsurance would charge. We can't necessarily control the weather. But we can certainly deter criminal activity. And I think that we have to take the wins where we can get them. We have to look for things that we can point to that are cost drivers to the system and say that this is something that we can do to attempt to control insurance costs for our consumers and our state. I do understand that there are concerns with the fact that this model may not necessarily be laser focused on insurance. And so with respect to those concerns I am happy to offer an amendment which I believe you have before you that makes it slightly more insurance centric and hopefully that will be met with

approval. But again, this is incredibly important and I would point out that we have this concept of an Advisory Commission that I've proposed in the amendment, this is actually very similar to the Deputy Darren Almendarez Act that we passed in Texas which is named in honor of a Harris County sheriff's deputy who was shot to death in the line of duty when he confronted a gang of organized criminals that were attempting to steal catalytic converters. So, there are tangible costs and there are lives being lost around our country with regards to this particular issue and I think we owe it to the insurance industry but also our law enforcement community to take a strong stance on this. So, I look forward to the discussion today. I just am firmly in support of the model and would like to see that move forward but obviously I respect the committee's decision either way.

Rep. Edmond Jordan (LA), NCOIL Secretary, stated that I also appreciate the peace offering that was just sent to us by Rep. Oliverson. Of course, I support the concept behind the model and in fact we've passed catalytic converter theft laws in Louisiana. However, I think because it falls outside the area of insurance, I think that the resolution still sends the strong message that Rep. Oliverson has spoken about. The other thing I would tell you is that I can tell you in my state of Louisiana, when I go to the insurance committee and I say that this is NCOIL model legislation I rarely have any opposition. It usually flies through. And I would imagine in most states that is the issue. I don't think that if I go to my Administration of General Criminal Justice Committee and say that this is an NCOIL model that is going to have the same effect. These bills either go through commerce committee or criminal justice committee and I'm speaking for Louisiana, it doesn't go through insurance. And part of my fear is that by stepping outside of our lane that we somehow diminish the effect that NCOIL model legislation has. And while I know we've done this in limited occasions in the past I would not want to further that precedent by continuing to do it. I think the resolution sends a strong message of where NCOIL stands on this issue. I think it supports what the organization wants to do as far as sending that message. However, I'm like Rep. Oliverson in that I'm going to respect the will of this committee but I do think that the resolution accomplishes that goal while still keeping the brand of NCOIL intact.

Rep. Bennett stated that I appreciate both of you and your perspectives and I do want members of the committee to speak up and let us know what you think as to whether we go with the model or resolution.

Eric DeCampos, Senior 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 nonprofit organization that works with state and local law enforcement as well as member insurance companies to detect, prevent and deter insurance crimes. I'm here to speak in favor of the model. Over the last year, we've seen plenty of examples from insurers and law enforcement agencies attesting to the effectiveness of state legislation to help combat catalytic converter thefts. And just to give you an example, Georgia enacted a catalytic converter bill last year that went into effect on July 1st. When we're looking at catalytic converter thefts reported to NICB from the first half of 2023 and compare that to the second-half, the decrease was 72%. So, I really want to focus here that these types of bills do work and now is not the time for us to take our foot off the gas but rather to move forward with a model, not a resolution, which will provide important standards that will help address catalytic converter thefts and the impact that these thefts have on the insurance industry. As an example, the model improves record keeping requirements which provides investigators with more information they need for catalytic converter theft investigations. And the model has the potential to reduce costs to insurers and consumers alike who are faced with expensive vehicle repair bills in catalytic converter replacements. And so, I respectfully urge this committee to adopt this model. It is not unprecedented. We've seen

examples in the past from predatory towing, airbag and different types of models that address insurance fraud, that address insurance crimes, and this is no different.

Rep. Chaney stated that Florida, we adopted a catalytic converter statute very similar to this one. Ours may even be a little tougher than this and the Sheriff's Association was very grateful that we did this. And it most definitely is tied to auto insurance rates which was one of the main drivers of the reason that we adopted this. And I would agree with Rep. Oliverson that this is definitely important to the insurance industry and to our constituents. I think they are much more concerned that we take action to reduce their auto insurance rates and I think they have zero concern about the NCOIL brand and I think taking action on the model is absolutely not only what we should do, but what we have an obligation to do for our constituents.

Del. Steve Westfall (WV) stated that I introduced this model in West Virginia. We already have some laws dealing with catalytic converter thefts and I introduced the part we did not have and it did not go to the Banking & Insurance Committee, it went through the Judiciary Committee. It was put on the agenda but was pulled when different people came and said, "hey, this is going too far, this will hinder our good recycling companies and we'll still have people at Walmart parking lots on Sunday night buying catalytic converters." So I think we need a model act that all states can use. NCOIL is known in West Virginia, not just the banking & insurance committee because they hear enough from me about NCOIL model acts that every Delegate and Senator knows what NCOIL is. So, I think it needs to be a model act, not a resolution. I think that will have more teeth to it. I am not going to be there next year, but I think our vice chair will take this back and run it again and try to see if we do it better because it is a problem in West Virginia. It's a problem in all states. So, I think we need to have a model out there.

Rep. Brian Lampton (OH) stated that I agree with my colleagues. Rarely do we have an opportunity to pass legislation that provides downward pressure on insurance rates. Whether it goes to a criminal justice committee or insurance committee or judiciary committee, it's quite frankly, irrelevant. This is an insurance matter. Recently, when I first started and joined NCOIL, at my first meeting NCOIL passed distracted driving model legislation. I took that back to my state and because of that I was able to partner with a former law enforcement legislator and we were able to get that bill passed into law. I think this is extreme, very much similar to the distracted driving bill. It went through our criminal justice committee. It didn't go through insurance. So, I think we need to do the Model Act. It lends credibility and it did in our state with distracted driving. Right now we're carrying it through Ohio through a former Montgomery County sheriff who's running the bill. The bill in Ohio is much stronger than this one but I do encourage us to go with the Model Act. It will lend credibility and it needs to be nationwide for it to have a much larger effect because if we do it in Ohio, what's going to happen? These thefts are going to occur along the border. They'll go to other States and sell these things so if more states adopt the model legislation, it'll be much more difficult for the thefts to occur and to get these catalytic converters sold at a profit.

Sen. Lana Theis (MI) stated that I absolutely agree it is well within our scope that we address the issues that are crime and fraud that are related to cost drivers for insurance and I can't imagine that wouldn't be within our scope. So, I absolutely support passing a Model Act in this arena.

Rep. Bennett stated that I tend to agree with Rep. Jordan but it seems like the general consensus is that we should move forward with the model. So, I'll make that decision now and we'll move on. But I really do appreciate everyone engaging civilly on this issue.

**DISCUSSION ON LIABILITY RELATED ISSUES WITHIN THE SHARING ECONOMY**

Byron Wobeter, Associate General Counsel of Insurance at Airbnb, and Padma Purushothaman, Head of Product Development at Airbnb, thanked the Committee for the opportunity to speak. Mr. Wobeter stated that what we'd like to talk about is the proposed online marketplace guarantee Model Act and our host damage protection. Ms. Purushothaman is going to talk a little bit about Airbnb for those of you who are not familiar with our product and our platform. I'll talk a little bit about the program and how it works and then we'll talk a little bit about why we support the proposed Model Law. And with that, we'll move on to Padma. Ms. Purushothaman stated that Airbnb was born in 2007 when two designers decided to create this website called air bed and breakfast and decided to host their apartment to conference attendees coming to a design conference in San Francisco. This is the first apartment that was listed on Airbnb to support paying the rent for the house. The very first house on the platform. What had its modest beginnings with that website and this listing has now grown to over eight million hosts across the entire globe offering their homes on the Airbnb Platform. Every day these hosts welcome millions of guests to their homes and allow them to connect with the local community in a more authentic way. In the U.S. alone, over the last year in 2023 we've had almost 22 million guests who are booked on the platform and had 36 million reservations. Obviously, for a platform of this scale to be able to manage and have these hosts and guests connect on a daily basis trust is an important element of the platform. Host damage protection is one program that offers trust on the platform. So, in 2011, three years into the Airbnb history, there was an infamous incident called the EJ incident that became viral on the newspapers. This host had listed their home on Airbnb and the home was trashed and burglarized by a guest who rented through the platform. Out of this incident was born the Host Damage Protection Program which is a guarantee of about \$50,000 for any damage that was caused by a guest who rented through the platform to any of the belongings of the host home. This has now grown over the years and it has continued to protect the consumers and the communities since 2011. In addition to host damage protection, there are many other programs that Airbnb offers to connect hosts and guests to promote trust, transparency and authenticity. We do ID verification for guests, location verification of the homes, intelligence to detect and prevent parties. And as a combination of all of these, we are able to continue to promote these listings and enable hosts and guests to continue to connect with each other. And for guests, there is a unique and differentiated need for certain reservations they may need to want more privacy or a different set of locations or an extended set of amenities that the hotel might not offer. And so for these set of hosts, these set of guests and their reservations, Airbnb provides a unique value proposition which is something that we've highlighted in our latest ad campaign.

Mr. Wobeter stated that's what brings us here today. Ms. Purushothaman mentioned, this program is very important to us but I kind of want to give you all an idea of what is our host damage protection and then we'll talk a little bit about how it works. Our host damage protection is a limited incidental guarantee offered by Airbnb to its host as part of its terms of service. It guarantees the guest's obligation to pay those property damages that they cause to the host during the Airbnb stay. It's of course part of our terms of service and it's automatically included for every house. Now I can tell you all of that, but let's talk about an example here. When a guest goes on to our website, finds a place to stay, they sign our terms of service. Within that terms of service the guest agrees that they will pay for any damages they cause to the Airbnb listing and any damages to the belongings. They book the reservation. The host accepts it. And they go to the listing. On the host side, the host also agrees to the terms of service and as part of that terms of service these is the host damage protection guarantee. In the rare event that something happens, and it is incredibly rare that something does happen to belongings, the host and the guest can work on it together. So, essentially how it works as an example, the guest rents an Airbnb and drops a lamp during their stay. The host comes in after the stay to check out the place and they realize, "there's a lamp here that's been broken." They'll take a photo of the

lamp, the price of the lamp and they'll put it on our platform. It's called a resolution center. That will go directly to the guest and at that point the host and guest can work it out. And in many cases the host and guests actually work it out and the guest can pay the host directly for that damage. It's only when the guest does not pay or doesn't respond that we can get involved. And what we will do is look at it and determine was the guest responsible? Yes or no. And if they were, we would pay it under our terms. After we paid under the damage protection guarantee, we would then have the ability to collect from the guest. And we do that via various tools on the platform and we provide the appropriate notice to the guest and the appropriate documentation and evidence so that we can collect.

And so that's our host damage protection generally. Why do we support this proposed online marketplace guarantee model law - well, first and foremost, consumer protection. As Ms. Purushothaman mentioned, we are a community built on trust, on protecting our consumers, our hosts and our guests. The one big piece is transparency. In the model law, it's required that there are clear terms and disclosures on the guarantees that are out there that are provided by online marketplaces. Second, financial solvency. This ensures that the damages are paid. There is a requirement in there to either carry a contractual liability insurance policy or have the appropriate market capitalization or net worth so that damages can be paid and will be paid by these online marketplaces. State registration and fees - this gives the notice to regulators so that if there are issues they can go ahead and speak to the right people or the right online marketplace that's offering the guarantee. Enforcement - it allows regulators to enforce the provisions and ensure that the customers or consumer protections are in place and are being adhered to by the online marketplaces. And then finally, flexibility - it extends to many users of online marketplaces, both hosts and guests as well as other marketplaces out there beyond the rental of home marketplaces. And then finally, we think clarity is needed. We have had some questions from regulators and so we are strongly in support of getting clarity here so that we can continue to offer the online marketplace guarantee.

Matt Overturf, Regional VP, Ohio Valley-Mid Atlantic at the National Association of Mutual Insurance Companies (NAMIC) thanked the Committee for the opportunity to speak and stated that I will be very brief. While we're still reviewing the language that has been circulated on this topic, we do want to raise an initial concern of allowing a product that provides risk transfer like insurance under a different name to be exempt from the existing regulatory environment that all other insurance products are subject to. We look forward to learning more on this topic and continued engagement with both Airbnb and this committee in the coming months.

Rep. Jeff Keicher (IL) stated that I'm from Illinois and we've seen some of this happen in the vehicle sharing economy and I think one of my frustrations with the sharing economy is it all comes down to semantics and it seems like there's been a lot of exploited and unintended loopholes that many communities have suffered under and it's changed neighborhoods often displacing those that are systemically poor, like renters, and that type of thing. And I see this as potentially another loophole that sharing type organizations are trying to exploit because what we're really talking about here is we're talking about an insurance risk that we're not going to call it insurance. We're just going to let it slide through. I think that's a very slippery slope for any legislator to continue down and I urge caution because we are talking about a transfer of risk and that by definition is insurance. So, we need to be very careful in this space because we've seen so much manipulation of these loopholes by similar organizations.

Rep. Lehman stated that the question I have kind of goes to what NAMIC brought up and that is the fact that insurance is such a heavily regulated industry. So right now to sell an insurance product you have to be licensed. The carrier has to be approved by the state and file your rates

and everything else. My general question though is where is there a lack of coverage now? Because I remember when we did the whole sharing economy model with Uber several years ago I brought back the same issue with Airbnb and the industry said we really don't need anything on the Airbnb front because we already pay for all this. Because everybody has guests in their home throughout the year who break or damage something and either the homeowner policy covers that or I can go against their homeowner policy which covers the property damage. I think if you have a situation where there's damage and no one seems to know who or where, I don't know if that's an insurance issue because at the end of day even if I filed that claim under my homeowner policy or my commercial policy and just for disclosure, my daughter has an Airbnb here in Nashville and in the course of that she bought commercial insurance because you don't live there. So, that commercial policy is going to pay if there's damage to the property by that tenant. And if they subrogate against the tenants homeowner policy that's all in place now. So, I'm not sure what gap we're missing when it comes to claims other than it looks to me like it's a way I can add to the cost of an Airbnb. Why not offer this extra thing sort of like a life and health on an auto loan. But even then, you're still regulated by the state. And so as I think NAMIC said, we can continue to look at this, but I think the real thing for me is going to be how are you going to be regulated? And really what's the necessity of the product if it's already being covered elsewhere?

Mr. Wobeter stated that I think one thing is we don't have any deductible at all and so there's no threshold here. And for the most part these are household items. There are towels. There are small items, an average item will pay less than \$300. So, many homeowners have deductibles that these wouldn't apply to. And then secondly, it is a different situation when as a homeowner carrier you generally have a primary obligation as a carrier to pay these out. I mean, this is a situation where the guest is paying a lot of these first and it's just backstopping that guest's obligation. Ms. Purushothaman stated that I just want to add that sometimes when we talk to hosts they've also expressed that they ultimately want the guests to take responsibility and I think with this platform, with this marketplace, they want to make sure that there is this dialogue and the conversation happens. And ultimately, they want us to follow up with them to let them know what eventually happened even if we ended up paying the host for them to go on and continue in a timely manner. Did we end up collecting with the guests? Or if they continued such sort of damages or offenses, are they still on the platform or are we taking actions against them?

Rep. Peggy Mayfield (IN) stated that I don't want to broaden the scope of this conversation because the agenda says liability issues but this sounds like it's just property damage issues. Is that correct? Mr. Wobeter replied yes. Rep. Mayfield stated so I won't ask the other question but it sounds like this is already part of the contract between Airbnb and the consumer and homeowner. I always caution as legislators that we don't insert ourselves in private contracts.

Rep. Mike McFall (MI) stated that why isn't it that you don't just offer an additional product yourself that the Airbnb host could purchase much like when you buy an airline ticket you can get coverage in case of emergencies and you have to cancel your ticket and it covers it. How come you can't just offer something that it could be an additional revenue stream for you actually instead of having us get involved. Ms. Purushothaman stated that we've thought about it. The thing with offering products for purchase is there may be only a few hosts or few guests purchasing it and how do we manage to handle damages and ensure that the host can continue to host for other guests and continue to use the platform if they don't purchase it? Rep. McFall replied right, but you could offer it to the hosts. That way it's an additional coverage for them, or charge more or there's an additional fee for the person renting and you get a discount. I don't know, just something else instead of having us get involved. Ms. Purushothaman stated that I think we kind of always have viewed this as more of an obligation of the contract between the



host and guests to be responsible and we do see 99.9% of the time there are no incidents and these incidents are so rare. And so for these kind of incidents that happen so rarely we don't want to impose the burden on the majority of the hosts and guests who have to pay more to purchase an additional policy and maintain them to manage such small risks on the platform.

Rep. Bennett thanked everyone for their comments and stated that my interpretation is that you're seeking from us model legislation that will provide clarity. You're not asking us to insert ourselves in the process. And as an insurance guy I echo Rep. Keicher's concerns and I know that Airbnb and short term rentals can have an effect in neighborhoods. I do think that issue is over here and the issue of the individual host and their property is over here. And I think that there are two legitimate conversations to have but not necessarily the same. And in my view, and I would hope that you can tell me if I'm wrong I am on this, the idea is Airbnb does require the hosts to carry insurance coverage that is already in place. The idea here is not so much when a window breaks and you need to file a claim on that but when an item in the place is destroyed or damaged, you want to be able to have an avenue by which the host is made whole that does not require them to file a claim. And again, the issue of one individual operating dozens of Airbnb's and kind of taking advantage of the platform and the process that's a conversation we should have and I don't want to put you on blast about that today. But over here on this side I'm imagining a mom and pop situation where they've got, like Rep. Lehman's daughter, a property and they just want to be able to be made whole without filing a claim, without having that effect on their coverage. Am I right in understanding that this is what you are seeking and this is just clarifying language and not that you're asking us to step in and create a new product or anything like that. Mr. Wobeter replied that's correct.

Rep. Bennett stated that I appreciate this conversation and I know that we'll be continuing it throughout the year. And then I also want to add that we had a conversation about this recently - here in Nashville, I rented an Airbnb and I was ironing a shirt and the iron ruined my shirt collar. So, the next morning I saw the two of you and I said, "I appreciate the conversation we had about making sure the host is made whole. Would you be open to making this language such that it goes both ways?" When you lose your phone in an Uber there is a way for you to get that back. How do we make sure that those who are staying in a hosted place are able to be made whole if something happens to their stuff? If they're damaged? You were eager to say, "Yes, we'd love for this to be able to go both ways." So, I wanted to make sure everyone on the committee and in the room knew where you all are on this and how open you are to making sure that this is a pro consumer model both ways. So, thank you for this and I'm sure we'll be engaging in further conversations throughout the year<sup>1</sup>.

## ANY OTHER BUSINESS

Rep. David LeBoeuf (MA) stated that I'm hoping that this committee can consider in the future a larger dialogue around the use of aerial photography in homeowners insurance assessments. I know in my state we've had some issues where there isn't a clear appeal process if the insurance company misidentifies something on a roof. There were some major news stories where there were some solar panels on a roof and the aerial photography came over without the homeowners knowledge and they dropped the policy because they believed it was damage because whatever algorithmic assessment didn't pick up what the material on the roof was. There's also been some non-renewals that have been issued after aerial photography. And so

---

<sup>1</sup> Frank O'Brien, VP of State Gov't Relations at the American Property Casualty Insurance Association (APCIA), submitted a witness slip in opposition to the proposed draft language.

I'm hoping we can have a larger dialogue on how that's affecting our States and how to make that work.

Rep. Bennett stated that I appreciate you bringing that to our attention and I look forward to having more conversations on that. I do have one other item of business – Rep. Oliverson has made it clear that he wants to make the affordability and availability of auto and homeowner insurance a priority, something that I really appreciate and would like to help with. But I wanted to make note of that because as a part of that effort, we'll be having a standing item on this committee agenda at our future meetings to provide updates from the NAIC on their P&C data call and other related issues that the NAIC is working on. So, I just wanted to make sure that I made that announcement and make it known that I look forward to working with Rep. Oliverson on this issue as I know all legislators are dealing with constituents who don't understand how insurance rates are established. But think that there's something that we can do about it. I love the conversation that we were having on fortified roofs because while I think a lot of folks think that legislators can wave a magic wand and fix this for everyone, it really is a challenge and we are obviously in an unprecedented hard market. So, finding ways to bring relief to consumers I think should be a priority.

#### ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Paul Utke (MN), NCOIL Treasurer, and seconded by Rep. Lehman, the Committee adjourned at 10:30 a.m.