

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
2024 NCOIL SUMMER MEETING – COSTA MESA, CALIFORNIA
JULY 20, 2024
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at The Westin South Coast Plaza Hotel in Costa Mesa, California on Saturday, July 20, 2024 at 10:45 a.m.

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

Other members of the Committee present were:

Sen. Justin Boyd (AR)	Sen. Walter Michel (MS)
Sen. Larry Walker (GA)	Sen. Jerry Klein (ND)
Sen. Dan McConchie (IL)	Asm. Jarett Gandolfo (NY)
Rep. Michael Meredith (KY)	Asw. Pam Hunter (NY)
Rep. Michael Sarge Pollock (KY)	Sen. Bob Hackett (OH)
Rep. Rachel Roberts (KY)	Rep. Tom Oliverson, M.D. (TX)
Rep. Edmond Jordan (LA)	Rep. Jim Dunnigan (UT)
Sen. Lana Theis (MI)	
Sen. Michael Webber (MI)	
Sen. Paul Utke (MN)	

Other legislators present were:

Rep. Deborah Ferguson, DDS (AR)	Sen. Jeff Howe (MN)
Rep. David Silvers (FL)	Rep. Bob Titus (MO)
Rep. Joseph Gullet (GA)	Sen. Brian Rhodes (MS)
Rep. Martin Momtahan (GA)	Asm. Alex Bores (NY)
Rep. Rod Furniss (ID)	Rep. Ellyn Hefner (OK)
Rep. Matt Lockett (KY)	Rep. Mark Tedford (OK)
Rep. Gabe Firment (LA)	Rep. Greg Scott (PA)
Rep. Brian Glorioso (LA)	
Rep. Kyle Green (LA)	
Rep. Shaun Mena (LA)	

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. Justin Boyd (AR), and seconded by Sen. Walter Michel (MS), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Sen. Michel and seconded by Sen. Jerry Klein (ND), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 13, 2024 and June 14, 2024 meetings.

CONTINUED DISCUSSION ON NCOIL STRENGTHEN HOMES PROGRAM MODEL ACT

Rep. Bennett stated that we'll start today with a continued discussion on the NCOIL Strengthened Homes Program Act which you can see in your binders on page 326 and on the website and app. Before we go any further, I'll turn things over to the sponsor of that Model, Rep. Jim Dunnigan (UT).

Rep. Dunnigan stated that we had a good discussion on this Model at our spring meeting in April as well as during our interim meeting last month. And just to do a quick recap of where we are and where I'd like to see us end up, the current version follows what's becoming a very popular concept across the country which is establishing a strengthen homes program within the Department of Insurance to provide grants to people to retrofit their dwellings and their roofs to certain standards. And then on the back end, we need to resolve the question of should insurers be required to issue some type of a premium discount to those who have strengthened their homes and met certain building requirements. So, today we're going to look at the Oklahoma law that recently passed and see what we can gather from them because as I said during our interim meeting, I like what they're doing and they provide more detail and guidance that we can use in our model. And I also like the provisions in there that limit the program to single family primary residences and they give priority to lower income applicants. So, today I'm looking forward to hearing from Oklahoma Insurance Commissioner Glen Mulready and he can provide us with his background and experience in the state law. And this is also a great opportunity for NCOIL to kind of determine where we want to land so we can take action on this at our November meeting.

Cmsr. Mulready thanked the Committee for the opportunity to speak and state that we modeled our bill based on the Alabama law that has been in place for a number of years now and we have learned a lot from them and Alabama has been super helpful with that. And I might also add that Brian Powell is the individual who was at the Alabama Insurance Department who has walked that through for years with Alabama and he has now moved and is on staff at the National Association of Insurance Commissioners (NAIC) and is assisting all the different states around with this issue. So, he's become quite an expert in that space and with the Insurance Institute for Business and Home Safety (IBHS). We've been on the phone with them a number of times and in fact I will throw out there too that we and other states are organizing a trip down to IBHS facilities to learn in more detail about their program. As noted, our law is limited to homes that are owner occupied, single family primary residences. We will require a homestead exemption and that is the easy way of determining that it's an owner occupied home. We are using the IBHS system so we'll have an evaluator that the homeowner will pay for and it's going to cost them \$200 or \$300 to have an evaluator come out and determine exactly what that roof is like or what the understructure of that is to make sure that that's meeting requirements. They then will solicit three proposals from certified IBHS certified roofers. Now we have some in Oklahoma already there prior to this program but we're getting word out there too to try to get another constituency for us to communicate with to make sure that that we've got IBHS certified roofers who can then do the actual work. Property owners then basically agree to retrofit their property or build new to the roofing silver or gold standards that IBHS has. Ours really for the most part will be focused on the roof part. Oklahoma is a big wind and hail state and so our main focus is on roofs. We get our more than our fair share of convective storms and 80% of that damage when that comes through Oklahoma is roofs. So, we have a deadline of six months to have that

work completed. We then will be issuing the grants directly to the roofer so money is not going to the homeowner, it's going to the roofer. We're currently just putting this all in place and the plan is to divide our state into five zones as we don't want to be accused of only taking care of Oklahoma City or Tulsa or ignoring the rural areas and so we want to have sort of a fair shot at that for all the different areas of our state.

But that's what we're crafting right now. And from a funding standpoint, we are non-appropriated agency but we do have leftover funds. And with the legislature, every time I brought this program up to a legislator in the hallway their very first question was "how much money do you want?" And I would say "I don't want any money. All we want is permission." And so, we set some limits on there to make that a little bit more palatable to folks or just lower any concerns with the funding side of that. So, we're allowed to use up to 50% of our leftover funds, up to \$10 million. And we will have that \$10 million this year to issue grants which at the moment we are going planning to cap at \$10,000 each. I learned from Alabama that they had a much lower threshold and then realized that that full IBHS standard was quite a bit more than that and so that's how our number has been changed. So, our intent is to issue out \$10,000 grants to homeowners as they are redoing that roof to fortify their home. We did have a little bit of a curveball thrown at us late in the session when it went over to the Senate and they did add a sunset clause on that. So, this program will come up again. It goes into effect November 1st of this year. It will come up again for a review and a sunset in three years. So, that's what's happening with our law. It's received a lot of attention. We are receiving a number of calls and we've received a lot of media generated attention as well.

Matt Overturf, Regional Vice President at the National Association of Mutual Insurance Companies (NAMIC) thanked the Committee for the opportunity to speak and stated that I just want to express our appreciation for the committee's work and Rep. Dunnigan's work on this issue. As you recall, it started last year as just a mandatory discount which we obviously expressed some concerns about. NCOIL has since expanded that discussion significantly to a broader package of items and I'll include in that the catastrophe savings account conversation that we had on Thursday. The Committee also readopted the Model State Uniform Building Code which we find very important and now we've expanded into grants and discounts. The one suggestion that I would make with respect to the mandatory discount language is to pull some language from Rep. Michael Sarge Pollock's (KY) (Vice Chair of this Committee) bill that requires the discount be actuarially justified and also leaving the amount or the percentage of that discount up to each insurance company where they are able to do it for what works for their risk profile, their book of business in each state. We find that to be a very important inclusion and Rep. Pollock was kind enough to include that in the Kentucky bill so we appreciate that very much.

Rep. Dunnigan asked Cmsr. Mulready how the person shows that the roof has been done by the proper person? How do they certify that? How do you track it? Cmsr. Mulready stated that the certified evaluator who goes out at the beginning of that process that I mentioned, they are an IBHS certified evaluator. They will circle back at the end as well when they go out and inspect that it's done to standards. They then report back to us and that's when the check gets released. But that's that same evaluator that will be doing be it at the beginning and at the end of that process. Rep. Dunnigan asked what if the person improved their roof on their own dime. Can they then come back to you for a retro grant or does it have to be done prospectively? Cmsr. Mulready stated that it has to be done prospectively. We need that evaluator out prior to. With IBHS standards, anyone today could go and get class 4 shingles and receive a discount on their insurance. But the idea with this program is a lot more robust than that. It involves the underlayment and the thickness of the underlayment, the water, the vapor barrier, the drip edges

of a certain size - so there's just a lot more to it. Rep. Dunnigan asked if the law mandates discounts from the insurance or does it allow it to naturally flow if they put it on and they qualify for whatever discounts the insurer may have? Cmsr. Mulready stated that our law does not mandate the discount but our research shows, and we actually sent a publication up to the legislature as we were trying to push this through, already filed with us are discounts that range from 10% to 43% on that wind and hail portion of the premium. That's already on the books today.

Rep. Dunnigan asked how Kentucky does their insurance discounts or adjustments with their similar program. Mr. Overturf stated that the language in the bill was "actually justified" which I think we talked about here but then that actuarial justification is left up to each individual company. They submit that to the Department of Insurance. Early on, we saw some states where that language wasn't included and the department said the discount is going to be a certain percentage so then it was the same for everyone whether or not it worked for that individual insurer or not. That's the concern we're trying to avoid with the language that we were able to get in the Kentucky bill.

Rep. Pollock stated that I wanted to share a few comments about our Kentucky bill and we did follow Alabama as well somewhat. I want to thank everyone that worked on it and I want to specifically thank Kentucky Insurance Commissioner Sharon Clark and our insurance department. This is important because in Kentucky we have tornadoes and 70 mile per hour winds and a lot of things are really devastating our state and so this was a good piece of legislation and we're all coming together to make this happen. As far as funding goes, what we found out was a fortified roof was about \$1,500 to \$2,500 more than a typical roof and so the restricted funds that we generated which was \$5 million on this particular bill come from our fines and fees from our insurance companies who make that up. There's an application process and Cmsr. Clark oversees that and if everything's approved, that \$1,500 to \$2,500 goes to that part of it. The other part of the funding was to get our contractors certified. That was a big piece to it. The other big piece was, as Mr. Overturf shared with you, about the discounts for insurance premiums and what that looks like and it was important that we provided that. I compared it to a security system type of discount that insurance companies provide when you go through the certain channels. And so that is left up to each of the insurance companies as to what that looks like. So there is a discount out there that we wanted to make sure was available but the final language I think really made sense. And so that's what we did and I hope that helps and contributes towards the model that we're looking for here out of NCOIL.

Cmsr. Mulready state that I want to echo the comments about Cmsr. Clark. As the legislative process went along this year, she and I talked quite a bit as we were both on that same path. And then since passage, we have spoken a number of times. We've scheduled some joint calls with Brian Powell to just ask a lot of questions through that. We worked at the beginning together quite a bit but we're in different time schedules now. Kentucky's takes effect in 2026 and ours takes effect November 1st of this year. So, we're a little bit different timeline but we've been working closely together with her.

Rep. Bennett asked if Cmsr. Mulready if he could talk a little bit about how you're ensuring that the \$10,000 grants aren't going to homes that have just had roofs replaced - how are we making sure that the money and the effort is getting to the places that need it the most over and above sort of separating the state into five sections? Cmsr. Mulready stated that going back to Rep. Dunnigan's question, it really is centered around that evaluator. They are the sort of the eyes and ears and the checks and balances there for us and they're certified by IBHS. They're going out at the beginning to determine whether things are in place and whether that fits their

standards. Because they may come back and say, "Listen you've got a quarter inch plywood on your roof and that that doesn't work. We need a higher level of that in order to be a truly fortified roof." So, they are the eyes and ears on the ground and they're at the beginning of that process and they're going out and inspecting afterwards and just making sure that that contractor has done that to those standards. And nothing happens until that evaluator comes back to us and certifies that that roof has been done to those standards.

Rep. Dunnigan stated to Cmsr. Mulready that your grant is \$10,000 which may motivate somebody that's kind of borderline about whether to do something. Cmsr. Mulready stated that to clarify, it's not set at \$10,000. We are paying that cost difference for the standard roof to then upgrade to the fortified roof. That cost differential is what we will be paying for up to \$10,000. Rep. Dunnigan stated that so then you're similar to Kentucky where the \$1,500 to \$2,500 enhanced roof is what you're covering. Cmsr. Mulready replied yes. Rep. Dunnigan asked have you found that's working? Is that motivating people? Are we just capturing those people that I guess need to do their roof anyway and now they're getting the grant to upgrade or motivating people to redo their roof? Cmsr. Mulready stated that we're still early. We are not receiving applications at this point. Our intent is to start receiving applications in the fall and issue our first grants January 1st of 2025 so it's really just too early to answer that question. I think my response to that from a gut level would just be we really don't care. If there are more homes that are fortified roofs that's just a good plus for us in Oklahoma. We don't really care whether they were going to do it anyways or they're choosing to do that because of the grant. I don't know that we have a preference with that.

Rep. Pollock stated that I echo Cmsr. Mulready's comments in that we're early as well but I want to note that contractors are seeking out Cmsr. Clark. There's a lot of buzz about it overall, but the bottom line is for us to help offset claims. Is this fortified roof going to keep your shingles on? Probably not, but it will hopefully in time provide us some extra coverage to keep the inside part of our homes protected. And so obviously again we are early in the process, but our contractors are super eager to get certified.

Rep. Dunnigan asked Rep. Pollock if he is comfortable that the insurance companies who are giving discounts, that those discounts are available for people and that they get the discounts. Rep. Pollock stated that we changed our initial language to get our insurance industry involved. So, the language we have in our bill of making it optional more or less of providing those discounts instead of just mandating a specific discount, it changed everything as far as the wording in our bill for the insurance industry. It was a big deal. Mr. Overturf can share on that process but I think once we changed the language in that discount part that was a big thing for all those involved. Mr. Overturf stated that I agree with that and I believe the Kentucky law, it's still a mandatory discount, it's just what that discount is is left up to the insurer. So, there's still the mandate to offer something by each insurer. And obviously as has been said, it's too early to have the process set up but there will be an expectation that discounts are offered.

Sen. Jeff Howe (MN) stated that I'm a building code official and this is my first time in this committee so the question I have is why go down this road and not the building code road and just enhance the building code and make that a requirement? Rather now it seems like we're going to have certain houses built to a certain level and I come from a state that has a mini-maxi building code so the building officials can only require what's in the code and I'm interested to find who are your experts are going out and watching this construction if that's not a code official who we normally have do that process. Where are these folks coming from to do that? And so I guess that's my question is why not just enhance the building code in your state to require this and make it happen so the entire state when it's done to that level would get that insurance

discount? Cmsr. Mulready stated that my response to that would be the state legislature certainly could choose to do that too, to change the building code statewide. That would have an enormous impact on cost to everybody and I think that would be the negative aspect that you would hear at the legislature. There's one city in Oklahoma who has changed their building codes. For a number of years there they had a little target on their back with tornadoes and had a number of deaths even at an elementary school there and so that generated that city to change their building codes. But as far as I know, I don't know that any other city has strengthened those building codes like the city of Moore has.

Sen. Howe stated that in order to make that happen in our state, the state would have to adopt an optional appendix that a city could do. Otherwise in our state, it's a statewide code that if you're a licensed contractor, you have to build to that standard. So, cities have the option to adopt the building code, but they don't have the option to change that building code. So we're in a little different situation and so when we adopt the code in our state, the International Building Code we're able to modify that throughout the state but we are not allowing cities to pick and choose to increase an area. In your state I take it that they have the option to adopt the code or not or increase the requirements as they see fit. Cmsr. Mulready replied yes, things are different in our state from what you described. Building codes are established by each community, each city. In fact, it was a little bit ironic one day I was out visiting with another city with the city leaders, with the city manager, the Fire Chief, and talking some things through and the city manager mentioned to me that he wished that I would do something about the building codes. And I had to nicely say to him that you are in control of that. We don't control that. And I mentioned as I did just a minute ago the city of Moore, who did indeed step in and do that for their community. But we do not do that statewide. It's each community that is establishing those building codes in Oklahoma.

Mr. Overturf stated that this whole conversation came about at the beginning of the readoption of an NCOIL Model State Uniform Building Code Model and NAMIC believes that it's important to have a statewide enforced building code. But as we just discussed, states do it vastly different. Some states have a statewide enforced building code. Some states have just a statewide building code that's not enforced. Some leave it up to local governments. It's kind of all over the map. But from our perspective, a statewide enforced building code is a foundation to mitigation against disasters. This model is just in addition to that.

Rep. Dunnigan stated that I really appreciate the work that's been done by Alabama and everybody else following it. It's nice to hear everyone's experience and we'll incorporate that into the model. And just to the building code comment, as was mentioned within the last year we readopted the NCOIL Model State Uniform Building Code and so we have that model which is a separate piece. And I agree it needs to be in the building code and we have that model in place.

Rep. Bennett thanked everyone and stated that the building code conversation is important but for me, the point of this legislation is making fortified residences attainable for the average consumer and that's the piece of it that I appreciate. But I think it's going to take a multi-pronged effort to make sure that consumers are protected and our infrastructure is being resilient.

UPDATE ON NAIC'S PROPERTY & CASUALTY MARKET INTELLIGENCE DATA CALL

Rep. Bennett stated that we're going to talk about the NAIC's Property and Casualty Insurance Market Intelligence data call. As many of you know, this country is facing an arguably unprecedented hard market in terms of affordability and availability within the homeowners and

auto market. So, the information gathered from this data call will hopefully be able to help policymakers determine how we can help consumers and improve the market.

Cmsr. Mulready stated that we embarked on this data call at the NAIC on March 8th. The target was to collect data from 80% of the national property market based on premium volume. We also then allowed individual states that were going to engage in that if they wish to as part of that data call, solicit data from maybe smaller carriers that would not be included in that, those that are domiciled in their states that might have a decent amount of market share within that state but certainly not going to show up on the radar on the national picture. And so, there's a number of those included in there as well. The Federal Insurance Office (FIO) had wanted to do a data call. They solicited each state and mine included and they wanted all this data down to zip code level and they wanted it in 30 days. Maybe it wasn't 30 days, but it was a very unreasonable time frame. And I responded that the answer wasn't no, but the answer was we cannot meet these time frames. And so, from that, the NAIC leadership worked with FIO and felt like this really is our role and we can capture this and we are the ones rightfully doing this.

So, we reached agreement with FIO to capture this data and to pull it all together into something readable and helpful and then we'll be passing that along to FIO. There was a concern with the data especially during an election year where we didn't want that weaponized if you will, that's my term, not the NAIC's term. So we have some control of this data call so that we can anonymize it and aggregate data and get that out there so that it would be helpful so it hopefully will give us some deeper insights into market concentrations, competitiveness, coverage gaps, that sort of thing. There's an information gap certainly out there. We are collecting amount of premiums, policies, claims, losses, limits, deductibles, non renewals and coverage type. So that went out, as I said on March 8th. There was a deadline of June 6th to have things back. The vast majority of that was sent back to us, but the NAIC has been then chasing some of that additional data. I know, speaking for myself in Oklahoma, one of our domestics was one of those that I have included, they had just gone through a CEO change and it kind of fell through the cracks. And so, we've helped follow up with that to capture that data. So, there's sort of this chasing of some of those that may have fell through the cracks at this point. So, we would expect that we will be passing along data to FIO shortly as they're sort of cleaning up that data. Different companies collect that in different ways. Of course, it's coming into the NAIC not all in the same format and that's part of the process of what's happening right now. I don't have an exact date, but we'll be providing those subsets out to FIO as we have received those at the NAIC.

Rep. Bennett asked Cmsr. Mulready if he knows how many states participated in the data call. Cmsr. Mulready stated that I do not have that number. We were not concerned about the states as much as we were concerned about 80% of the market share and trying to get to that number.

CONTINUED DISCUSSION ON NCOIL ONLINE MARKETPLACE GUARANTEES MODEL ACT

Rep. Bennett stated that next on our agenda is a continued discussion on the NCOIL Online Marketplace Guarantees Model Act. We had an introductory conversation about this at our meeting in April and since that time, Rep. Brian Lampton (OH) has signed on as sponsor and I have signed on as a co-sponsor. I think the model serves as an important piece of policy to sort of clarify certain things and I do look forward to this conversation. We won't be voting on this today. There's still plenty of time to have conversations with potentially a vote in November or even in the spring meeting of 2025.

Byron Wobeter, Associate General Counsel of Insurance at Airbnb, thanked the Committee for the opportunity to speak and stated that I'm joined by Brad Nail and we're pleased to express our

support for the Model. I also want to thank Rep. Lampton and Rep. Bennett for sponsoring this Model. As Rep. Bennett mentioned, at your last meeting in April we provided an introduction to Airbnb and the online marketplace guarantee that forms part of our terms of service with our hosts and our guests and Airbnb. This is known as our host damage protection, or HDP. The HDP program has been part of Airbnb's terms of service for over a decade. To recap, Airbnb is an online marketplace facilitating the rental of property between a property owner, a host and the renter, the guest. We currently have over five million hosts making over eight million properties available throughout the world. We are in many cities, towns, rural areas all over the world. As you may know one area of concern for our hosts is any damage caused by the guests to their property when they stay in an Airbnb listing. And just to recap, under our terms of service, the guest is contractually liable to the host for any damage that they caused during the Airbnb stay. And HDP just guarantees this contractual obligation when the guest doesn't pay the host back for any damages that they cause HDP backstops that obligation. Airbnb, then, has obviously recourse against the guests for any nonpayment and we do and can pursue them contractually. HDP is a limited incidental guarantee offered to Airbnb hosts as part of our terms of service. It's consistent with many other online platforms that offer similar guarantees, online platforms that connect to users. It's not insurance as guarantees are legally distinct from insurance when they're incidental to a company's other primary business. Of course, our primary business being a platform to facilitate the renting of properties. There's no additional charge or fee to the host for the guarantee and it's simply just an ancillary part of our service. And with that, I'll be happy to answer any questions the committee may have regarding guarantees or our HDP guarantee contained in our terms of service and I'm going to turn it over to my colleague Mr. Nail to discuss the implications of the Model.

Mr. Nail stated that the threshold question we usually ask ourselves when we're entertaining a new model law is why is this necessary? I think we and the sponsors have identified a need to codify the practice of offering marketplace guarantees to provide consistency across the States and to provide guidance to your regulators who have questions about how these guarantees work. Today, there are some states that have existing statutes permitting this type of guarantee but most states rely on a web of case law to affirm the appropriateness. We believe that both the marketplace and the regulators will benefit from the clarity in the statute that this Model would provide. We've attempted to identify other potential stakeholders and work with them on this language and I know the sponsors have had conversations with other stakeholders trying to make sure that everyone's thoughts are heard and relevant concerns are addressed. This includes the insurance trade groups who've provided feedback. Some of that feedback has been incorporated from the discussion draft that was circulated previously to this model that is before you now. Several of the parties we've spoken to have identified the similarity to the service contract model which some of you may be familiar with. And obviously we'll continue to work toward resolution of any additional relevant concerns that are brought forward by the committee or other stakeholders.

The proposed model does the following. It sets out definitions specific to this type of guarantee. It requires registration, so the state is aware of businesses offering guarantees under this law. That again is similar to the service contract model that you're familiar with. It sets out minimum financial strength for businesses to engage in this practice to ensure that the guarantees will be satisfied. It's consistent with the statutory scheme in many states and codifies the case law position in others by clarifying that these non vocational incidental guarantees do not constitute the transaction of insurance. This is something that's ancillary to the primary business that is being conducted. This clarification will be helpful to your insurance regulators if there's a question around lawfulness. It requires disclosures for consumer protection and prohibits any activity that could be misleading to consumers. And finally, it authorizes enforcement of these

requirements by the appropriate agency in your state whether it's the Department of Insurance or Attorney General, or perhaps another agency in your specific state. The practice of offering performance guarantees that are ancillary to a company's primary business has been around for years. As more of our commerce has moved online and as we witnessed the proliferation of three party transactions within the sharing economy, guarantees like the one that Airbnb offers become even more important. So, like many of the model laws that are introduced for your consideration, the goal of this one is primarily to provide clarity and uniformity in the statutes. So, we support this effort. We believe that the model accomplishes that goal and we hope that you'll give it your favorable consideration.

Jon Schnautz, Vice President of State Affairs at NAMIC thanked the Committee for the opportunity to speak and stated that my colleague Mr. Overturf at the April meeting alluded to some of the concerns we have with this model generally. I want to be a little more specific about those today because we do have some concerns. I think some of them are fairly easy to resolve. Some of them may not be. But the first set of issues I want to talk about are more general. This model puts before NCOIL an issue that's foundational but doesn't actually come up here all that often which is exactly what is insurance? If you look through the literature on the topic, it's actually not as easy to define as you might think. There is not an agreed definition of it. I believe at one point the NAIC spent about a decade trying to come to consensus on exactly what the term should include and didn't reach one. However, I will say that a three party transaction in which one party is assuming the liability of another to a third-party is really similar to how a lot of things that everybody regards as insurance work. Auto liability insurance is essentially that sort of setup. The liability portion of homeowners insurance is very much that kind of three party transaction. A lot of commercial policies are exactly the same way. So, I guess I would paraphrase Potter Stewart, the former Supreme Court Justice, "I may not know exactly what insurance is, but this looks a lot like it." And so that's our main foundational concern and it's a difficult one to address without not pursuing the model at all. But I do want to put that out there because what Airbnb is asking to do here, and it's not just for them, they may be perfectly responsible about this program, we have no reason to think they wouldn't be - but for any online marketplace, this is allowing them to assume that assumption of risk transfer sort of role that again looks like insurance. And that when it is called insurance in all of your states is subject to volumes and volumes of well justified regulation as opposed to what's in this model which is pretty bare bones, frankly. It's nothing like that. So that's the first concern.

To go a little bit to the specific concerns, I guess the first one I would say is I think there's a lack of evidence at least to date by the proponents of this model that there is something about what the regular insurance market is doing that makes this necessary. In other words, is there a deficiency out there on what coverage is available? There is commercial coverage for short-term rentals for people who do it all the time. Many homeowners insurers for rentals that aren't always rentals, for example ones that the owner occupies, offer that coverage through an endorsement. It's not part of the standard coverage, I want to be clear but it from our perspective to some extent is available. So, I think the proponents of this model ought to have to carry the burden of showing why does the regular insurance market not already cover this sufficiently? That's the first concern. The second specific concern is this bill is a lot more expansive than the issues that the proponents have identified to try to address. They've talked about in the past at the last meeting about sort of smaller items, lamps and towels and those kinds of things. The coverage today was referred to as limited and incidental. If it's intended to be limited and incidental, then revise this model so that it is only covering limited and incidental items because there's nothing in the model that actually requires that right now. It's much broader. And so if you're going to go down this road, I think you should make it what the proponents have suggested they wanted which is a more limited sort of coverage. The last specific point is there

are a couple of sections in the model that really haven't been talked about at all but from our perspective are particularly off the point to what proponents are trying to do. Sections five and six are all about the relationship between the provider of these guarantees and an actual insurance policy. And if there's a reason that needs to be in this model, we're willing to hear it. But I don't think we've heard it yet. We've heard about why they want to have a program that's different than insurance. That's fine. Why do we also need language in this model that goes to the insurance point? To conclude, I want to be clear, on our general concerns, I'm not sure how easy those are to address. Those are big picture philosophical concerns with the whole model. So, I don't want to suggest that if the specific issues are addressed that we would just be fine with the model. I'm not sure that's true. But I do think those specific concerns at a minimum should be addressed.

Rep. Bennett asked if Mr. Wobeter to outline what insurance coverage Airbnb requires of the people on his platform? And does Airbnb offer any of those products? Mr. Wobeter stated that we don't require insurance coverage. We ask the host to get with their broker and obtain the appropriate insurance coverage. However, we do have and maintain liability insurance programs and these are just typical liability insurance programs for the hosts throughout the world and those are for slip and falls and things like that.

Rep. Bennett asked if Mr. Wobeter could respond to the assertion of what's the need for the Model? Can you talk about what kind of spurred the need to establish this? Mr. Wobeter stated that as we kind of talked a little bit earlier, we've been offering this program for over a decade. We went to the NAIC in 2016 and a white paper was drafted and published on this program and we didn't have any questions regarding the program because the way we set it up was lawful. We've had recent questions from regulators on the philosophical point, what is insurance and what is not insurance? And so, given those questions the need is clarity. As we kind of mentioned earlier, some of it's codified in statute. Some of it you have to go to the case law and to codify all of that we think it's necessary to make it clear and also to provide the consumer protections that we think are important given the proliferation of these guarantees online. Mr. Nail stated that Mr. Schnautz is asking all the right questions. He's asking the same questions that some regulators are asking and the answers are best provided by the legislature. If you look at the service contracts, if you look at extended warranty programs, these are things that can look a lot like insurance but they're not because we've vetted them through the legislatures and determined that those programs make sense to exist outside of the sphere of insurance and this really falls in line with that.

Sen. Larry Walker (GA) stated that earlier a question was asked as to whether insurance is required by the host and the answer was "no, but we have a liability insurance program available." Are you telling me that the hosts are not required to have liability insurance? Mr. Wobeter replied no, not to join our platform. Sen. Walker stated that's a little concerning to me. Sen. Walker stated there was testimony given that other stakeholders have been involved in the conversation of the crafting of this proposed model. Were Vrbo or HomeAway a party to this? Mr. Wobeter replied no, from our last review, they don't have something like this. But various others out there that connect users were consulted and we discussed it with them. Sen. Walker stated that makes me wonder are you just trying to get a competitive advantage.

Mr. Nail stated that it's not an issue of a competitive advantage as right now, Vrbo just has a different set up to where they operate. They might end up adopting something like this as there's nothing stopping them from doing it. Sen. Walker asked if Airbnb has a physical presence in Georgia? Mr. Wobeter stated that I'd have to check on that and get back to you. Sen. Walker stated that for Georgia citizens that allegedly damaged property and it's basically turned over to

Airbnb to then sue my Georgia residents, I'm just concerned about their due process if you don't have a presence in Georgia. I don't think you do but you may. If one of my citizens rents an Airbnb and they were alleged to have damaged the property, instead of working it out with the host or filing it on their insurance, they have Airbnb coming and that to me poses some concern.

Mr. Nail stated that if I can clarify a little bit, Mr. Wobeter didn't go into much detail on this because we didn't want to repeat all the stuff from the last meeting but the first step is always for the host and the guest to work it out on their own. The guarantee that Airbnb offers, and it's only to the host, they're not providing anything to the guest, they're just guaranteeing to the host that the issue is going to get resolved. But the first step is always for the host and the guest to try to work it out.

Sen. Walker stated that the question was asked, what need are we trying to fill? I think when you rent a property through Airbnb there's an option for the guests to pay a damage waiver or buy insurance. There's certainly insurance available in the private market already to cover this kind of thing. There's insurance for the host and the guest for this type of thing. So that's my last comment, what are we trying to solve that's not already available? Mr. Nail stated I would look at it as a supply side issue. In order for people to feel comfortable putting their property available for this they need some guarantee that if something happens to it it's going to be resolved favorably. Sen. Walker stated they can buy insurance in the private marketing. Mr. Nail stated that some homeowners' insurance might offer coverage, some homeowners insurance is going to exclude coverage. There might be riders or endorsements that are available. It's complex, but it's through this guarantee program, and they're certainly welcome to and should consult with their insurance brokers and agents before doing this, where we can provide consistency and peace of mind to the property owners and this guarantee program works well for them.

Mr. Wobeter stated that to address your comment on Airbnb going after your citizens, we do have various appeals processes in place where we will work with them and make sure that we have the story right before we would do something like that.

Rep. Bennett asked what is the most common scenario where Airbnb has to step in and sort of act as an arbitrator in this scenario between a property owner and a renter? Mr. Wobeter stated it's actually quite rare. I think we looked at it recently and it's one out of over 500 nights involved Airbnb. So it's rare to begin with. The most common situations are towels, sheets and various small items that don't amount to a lot of money. And so how it kind of works generally is the guest may damage a towel and the host goes directly to the guest and says you damaged this towel, here's a photo, I'd like X amount of money. A lot of times those guests will either pay or they'll work it out some other way before it even comes to us. But we're really talking about low level items for the most part.

Rep. Bennett stated from a customer satisfaction standpoint and I guess the speed of resolving the issue, can you talk about what that timetable is now and what it might look like. I know that there have been scenarios where certain government subdivisions have required you to provide some kind of product in this way. What is the timeline difference and what is the customer satisfaction experience difference between those two things? Mr. Wobeter asked what is meant by timeline. Rep. Bennett stated the moment of realizing that the towel had been damaged or stolen to being made whole. Mr. Wobeter stated many of these requests for reimbursement that come to Airbnb are handled well within 14 days. It's only the larger ones that are actually even more rare that could take a little bit longer. So, they can be handled very quickly. And then your second question was? Rep. Bennett stated what would be that timeline if there was an insurance product required for this? Mr. Wobeter stated that it would make it certainly more

cumbersome because you would have to go to a third-party. Then they would go through and determine what happened. Whether the host and guest tried to work it out and that timeline would probably be expanded and it would make the process a lot more complicated.

Rep. Tom Oliverson, M.D. (TX), NCOIL President, stated following on what Rep. Bennett was asking, I had a vacation property for a while and we didn't use Airbnb but the company that managed the property for us just collected a deposit in advance from everyone that rented that property and then if there was a towel or something simple like that damaged the cost would come out of that deposit. Why not do that? Mr. Wobeter stated I think one thing is we don't want to have consumers put that money up front and as I said earlier it's quite rare that they damage anything. Rep. Oliverson stated but don't you think that if they were charged a deposit that also influences consumer behavior on some of this stuff? Mr. Wobeter replied I guess it could.

Mr. Nail stated that I think you're thinking of the kind of trip that I tend to take where we take a golf trip once a year with 12 guys and we rent a big house and we pay a deposit for that kind of thing. But when you check into a hotel here you're not necessarily paying a deposit. They have your credit card on file and they can deal with you on damages and I think it's a different market at least in some respects.

Rep. Oliverson stated that having been on the landlord side of this thing what you're describing to me gives me a certain amount of discomfort with your business model from the standpoint of I don't like the idea of as the landlord having to work this out with the renter. I think most people that do Vrbo or things like that like the idea of not having to be physically present there being the landlord and just know that it's being taken care of while they're not there but maybe that's just me. Mr. Nail stated that I think the concern that you just expressed is reasonable and it's similar to the same concerns that we heard on the transportation network companies (TNCs) about using your car to provide people rides but over time and with volume, you see that it works and Airbnb has been around a long time and over time with the kind of volume of business that they do, it does work. But this guarantee is also one of those things that gives that owner some piece of mind that there will be an appropriate resolution when something does come about.

Rep. David Silvers (FL) stated that I do want to note that I've used Airbnb before and you do see the host. They're rated and you're rated as well so I think that would actually impact consumer behavior as well. If you have a really low rating, you probably aren't going to get that that rental.

Rep. Bennett stated I know of folks who use sort of a property management company as sort of an intermediary area where they own several properties and they rent them out to Airbnb. Is some of this stuff being handled in that way? If I own a property in Florida but I never see it but I know I have a property management company that comes in and cleans those towels, it would be on them to determine whether or not the towels have been stolen or damaged. From these conversations so far, I haven't heard that a lot of these issues are coming up. Is there widespread theft and damage that's just not being reported or is it just a relatively low occurrence? Mr. Wobeter stated that it's definitely rare. Also, we do allow co-hosts as well on our platform and they can actually manage this process as well to go through the guarantee.

Rep. Bennett stated that this is an interesting conversation and we'll continue this conversation likely during an interim meeting and it will be brought up again in November and maybe we'll have something to vote on by then. I appreciate everyone's willingness to engage on this and we will continue these conversations.

INTRODUCTION AND DISCUSSION ON NCOIL MOTOR VEHICLE GLASS MODEL ACT

Rep. Bennett stated next on the agenda is an introduction and discussion on the NCOIL Motor Vehicle Glass Model Act. Before going any further, I will turn this over to Rep. Pollock, sponsor of the Model.

Rep. Pollock stated that I'll be brief and just note that I'm proud to sponsor this model as it's based on a law we recently passed in Kentucky in response to rising concerns about auto glass repair fraud. We took action to protect consumers from deceptive practices in the auto glass repair industry. The law aims to curb fraudulent activities and ensure transparency and fairness in the auto glass repair process. It actually follows what Florida enacted last year so I think we're starting to see a trend of states taking action on this which is why I think it's good timing that NCOIL is taking this on. I look forward to the discussion today and certainly welcome input on the model throughout the process.

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 our member insurance companies to detect, prevent and deter insurance crimes and that includes motor vehicle glass fraud. So, today I'll provide a short overview on vehicle glass fraud as well as hitting on some of the key notes of the Model. And so to begin, when we're talking about vehicle glass fraud we're talking about a scheme that's largely perpetuated by unscrupulous glass shops. And let me be clear, I'm talking about a small number of bad apples in an otherwise good bunch. But nevertheless, they approach consumers in public spaces, usually parking lots or other locations similar to that where they were able to lay eyes on a consumer's vehicle, see the little divots on their windshield. See a tiny little crack on their windshield. And they're able to solicit these consumers to sign contracts with them to repair or replace these windshields. And they tend to operate in states or favor states where there are no deductibles for windshield replacements or repairs. And the reason being is that it's part of the scheme. It's part of the solicitation. And they come up to you and they say, "Hey, I can get your windshield replaced or repaired and you don't have to pay a penny because your insurer will pay for everything." And if that doesn't work, then they'll utilize financial inducements like gift cards or cash. In some cases, we've even seen Omaha Steaks offered. And in addition to that, they tend to exploit contractual mechanisms like assignment of benefits that allow them to assume control of the consumers rights or benefits to an insurance claim. And they use this as a vehicle to file inflated claims with insurers. And in recent years, we've seen some new elements arising out of these inflated claims and that surrounds the advanced driver assistance systems within your windshields. As your car becomes more advanced, basically a computer on wheels nowadays, so too are your windshields. Now they're embedded with these tiny little sensors called Advanced Driver Assistance Systems (ADAS) that are very costly to repair or recalibrate and we're seeing inflated claims coming in for recalibrations that were either not warranted or work was charged but never performed at all. And the end result is inflated claims are being filed. Insurers are flagging these claims as being questionable or for suspected fraud but these bad actors are quickly turning around and filing frivolous lawsuits against insurers for lack of payment. And there's perhaps no greater example of that than in Florida where prior to 2023 Florida was a sue to settle system. Where the legal and regulatory environment incentivized inflated claims and incentivized frivolous lawsuits around these claims. Over a ten year period, we saw a 4,000% increase in glass lawsuits, from 2011 to 2021. And in 2023 as the legislature was looking into closing some of these loopholes that were being exploited by these bad actors we saw another 46,000 lawsuits filed over an eight month period.

Now, what do we do about it? Well, NICB joined the industry and some other consumer protection or consumer advocacy organizations, in order to successfully advocate for three key provisions. One was the elimination of Florida's assignment of benefits statutes. Taking away that key vehicle that's been serving as the pillar behind these schemes. Prohibiting financial inducements, taking away that key marketing tool that's being used to convince people to sign on the dotted line with these bad actors. And then creating some transparency around recalibrations again, those tiny little sensors in your windshield. The end result of that was very positive, by Q1 2024 glass related lawsuits decreased to just under 3,000. So again, 46,000 during that eight month period in 2023 and then by Q1 2024 less than 3,000. That's a big success and a testament to how effective these reforms were. But there was an unintended consequence to our success. And that consequence was these bad actors, now that the environment was no longer conducive for them to carry out these schemes, they packed up and they moved to other states. And at the top of the list were other no deductible states like Kentucky and South Carolina. Or states with no deductible options like Massachusetts. The reason being is it's another safe haven for them to commit these very same schemes offering the promise of a free windshield replacement because your insurer will pay for everything. But while I made the point about the no deductible states, I want to be clear that just because a state may have a deductible for windshield replacements doesn't mean that they're not being targeted by bad actors as well. I want to direct your attention to this slide here and here you'll see the top ten states for questionable claims involving vehicle glass reported to NICB over the last four years. It's not surprising to see Florida and Arizona at the top of that list where auto glass fraud is a significant issue in these states.

But I want to call your attention to states on this list like Texas, Colorado, and Michigan where there are deductibles for windshield repairs and replacements. And what this is a testament of is bad actors will move to states or they'll operate in states where they believe that they can make a profit off of their schemes. They will move to states where regardless if there's a deductible or not, if they can exploit the regulatory environment, if they can exploit something like assignments of benefits, then they will do so. And this is why I'm encouraging not just everyone here today on this committee but all states to review their laws, to review their regulatory environment and identify these loopholes that could be exploited. And I need to commend Kentucky for passing comprehensive legislation in the form of Senate Bill 29 which did exactly that. Kentucky was proactive. They didn't want to become the next Florida. And I encourage all states to have that same line of thinking and to be proactive to stop themselves from being the next safe haven for these bad actors. And so, I wish to thank Rep. Pollock for introducing this Model which is based off of Senate Bill 29 and this is important and I really need to mention this because Senate Bill 29 was the product of negotiations and consensus amongst the myriad of stakeholders. As noted on the screen here from your vehicle manufacturers to the glass industry and even the trial attorneys came to the table to come up with language that can be passed. And so this is why Senate Bill 29 is serving as the framework for this model. And to highlight some key provisions around the model, first and foremost, at the top of the list, it prohibits assignment of benefits for property and casualty policies. Let's take away the vehicle that has served as the pillar for these schemes. Let's do what Florida did, what Kentucky did. Let's take away the ability for these bad actors to take control of a consumer's rights, of a consumer's benefits to an insurance claim. Let's take away the ability for these bad actors to exploit these contractual mechanisms to file inflated and potentially fraudulent insurance claims and frivolous lawsuits against insurers.

Next, guardrails for ADAS. This is as much of a consumer protection issue as an insurance fraud issue. This model will require that when a consumer leaves that glass repair shop parking lot that their ADAS is operating to manufacture specifications. So that way when they're ten miles down the road the ADAS doesn't fail on them and then they end up in an accident. And if

that glass shop cannot meet those manufacturer specifications then this model will require that glass shop to direct the consumer to a repair shop or some other entity that can. Again, this is a critical consumer protection. The model also provides guardrails around claims practices. For example, it requires an insurance claim to be filed before any form of repair, replacement, recalibration to a windshield can be performed which will help tackle some of the inflated claims that we're seeing around not just the system, but just in general. The model also provides a list of prohibited unfair and deceptive trade practices. Just going back to the financial inducements, no more cash, no more gift cards, no more Omaha steaks that these bad actors can offer to consumers to get them to sign on the dotted line. And then the final point is there are some anti steering provisions within the model as well and this is designed to ensure that consumers have options when they're seeking out replacements, repairs, recalibrations to their windshields or vehicle glass needed for their motor vehicles.

Sen. Howe stated that from my understanding what you've proposed here is - my insurance company I've got no deductible and if I submit a claim for my windshield they will tell me that there's a list of pre-approved glass replacement installers. And if I go to one of them, I don't need to go get a number of the estimates, the invoice, all the rest of that stuff. If I just go to them, they'll just replace it. It's all taken care of. If I choose to go to someone that's not on their preapproved list, I've got to go through the hoops to have someone else do that. And it's not only for glass, it's that way for any of my body shop repairs. So, is this going to prohibit that type of what you call steering that they can't guide me to some shop that's already pre-approved that they know they're not going to get any of these deceptive practices? Mr. DeCampos stated that the model is designed to just provide a little bit more flexibility to the consumers so that way you're not steered to a very specific provider. It just increases your options a little in order to seek out the repairs or the replacements that you need. So, it's more geared towards prohibiting that one being steered to one particular shop in general. Sen. Howe stated that so in other words, the answer is yes. Mr. DeCampos stated that the answer is essentially yes. If I remember your question correctly, it's designed to not limit you to just one specific option.

Sen. Howe stated that my concern is I don't have that option to go to those three or four. I'm going to be required to go get a number of estimates to send them in. And to me, that puts more hassle on the consumer instead of just being able to go to two, three different shops and get my glass replaced and I'm done and it's all taken care of because these shops are already pre-approved. I kind of like that option. Rep. Edmond Jordan (LA), NCOIL Secretary, stated that to address your concerns and I'm not sure if Mr. DeCampos understood the question exactly, if you look at section seven, anti steering, it doesn't prohibit what you're talking about. It doesn't prohibit an insurer for maintaining a network of motor vehicle glass repair shops and it doesn't stop them from giving you that list. So, you can still have that list and they can still have the network of dealers that you can rely on if I read that correctly. I think that addresses the issue that you're bringing up. And that's on page 324. Sen. Howe stated that I understand that but in the other sections it still requires me to get an estimate prior to all this and it still seems to require me to go through the hoops even if I do go to those preferred repairs and that's my concern, it requires me to jump through hoops that I really don't want to go through. Mr. DeCampos stated that the way I interpret that is that's actually a critical consumer protection so you're not being faced with these inflated bills after the repairs have been done. And so having that written estimate ensures that you're seeing what is exactly being done from a repair standpoint to your vehicle glass or to whatever body work that's being performed and ensures that when that claim is submitted to the insurer that it has all of the information necessary for that claim to be processed.

Rep. Pollock stated that the key words I think I heard were “when you contact your insurance company.” And I think in a nutshell is pretty much what this model is and ensuring it’s not somebody else contacting your insurance company. And so this particular model dictates that. This is a consumer protection model and that’s what it’s specifically meant to be. I look forward to continuing the discussion on the model.

UPDATE ON FEDERAL INITIATIVES IMPACTING THE TITLE INSURANCE MARKETPLACE

Rep. Bennett stated that next on our agenda is an update on the federal initiatives impacting the title insurance market. On page 347 in the binders you'll find a letter that was sent by Rep. Oliverson to the Director of the Federal Housing Finance Agency (FHFA) expressing our concerns about the agency's proposed title acceptance pilot which would permit title insurance obtainment requirements to be waived in certain circumstances. At the NCOIL DC fly in this summer we also spoke with our Congressional counterparts about this. Since then, we've come to learn that the Consumer Financial Protection Bureau (CFPB) has issued a request for information (RFI) which could lead to some more federal involvement in the title insurance marketplace which is troubling from a federal encroachment standpoint.

Elizabeth Blosser, Vice President of Gov't Affairs at the American Land Title Association (ALTA), thanked the Committee for the opportunity to speak and stated that we are the trade association that represents title agents and underwriters. I do greatly appreciate the opportunity to talk on these two topics. We appreciate NCOIL's interest in the topics and Rep. Oliverson's leadership. As this committee has discussed in the past there've been several federal initiatives and activities by the government sponsored enterprises (GSE's), Fannie Mae and Freddie Mac that run contrary to the state based system of title insurance regulation. We also believe these initiatives pose risks to consumers and to the greater real estate market. Given this is the first time I've had an opportunity to address this committee, I do want to do a quick level set on title insurance because we're a little bit different from other property & casualty lines. Whereas most property & casualty insurance covers risks that are going to happen in the future, title insurance primarily covers risks that have happened in the past. So, unpaid liens or fraud or forgery that might be associated with your title. Because of the unique nature of the insurance our claims rates are relatively low which we think is great news for consumers. When you go and buy a home today and you get the keys you aren't thinking in the back of your head do I really own this property? And that's the value that title insurance brings to consumers and in providing certainty within the real estate market. Because of that, about 80% of your one-time title insurance premium goes to risk mitigation efforts. The industry estimates that they find upwards of \$600 billion of title risk exposure every year through their title examinations processes related to real estate transactions. Those are then addressed in the curative process, mitigating potential risks for homebuyers.

For reference, only eight cents on every dollar goes to industry profit and when it comes to claims over 50% of claims appear four years after an insurance policy has been issued. So, with that background, let me shift to talking a little bit about the FHFA's title acceptance pilot. By way of background, this is not the first time the GSE's have promoted unregulated title insurance. Back in 2022, we learned that Fannie Mae and Freddie Mac had approved the use of unregulated title insurance alternatives on certain types of loans. While these are marketed as equivalent products they don't necessarily carry the same coverages and most importantly they bypass state insurance laws and regulations. We've also come to realize as we see more of these in the marketplace that they are not necessarily cheaper and in a number of instances more expensive than regulated title insurance. The promotion of unregulated products was escalated in March through the approval of this title acceptance program. It came the same day

as the State of the Union when President Biden announced that the administration was going to be eliminating title insurance fees for federally backed mortgages. Obviously, that's a broad statement. And what we know from FHFA's FAQ's that were released that same day is that there's a pilot program that's going to allow Fannie Mae to operate as an unlicensed title insurer on certain refinance loans. As we understand it, the process includes an automated title review and then lenders pay to Fannie Mae a fee to cover any risks that there are as a result of an unexpected title defect. So, certainly that falls within the definition of title insurance under most state laws. There has been significant bipartisan concern about the pilot program including on the Hill and so let me quickly talk about what those concerns are. First, there's been a lack of transparency around the pilot program. If processes that were in place were followed there would have been ample opportunity for state legislators, regulators, industry, Members of Congress, consumer groups and others to bring up questions and concerns during a public notice and comment period.

Second, we're very concerned about consumer risks and the fact that consumers are going to be put into really an experimental claims process. So, unfortunately, fraud is very much rampant right now in the real estate market, another topic that I'm happy to talk to anyone about, but if you are a victim of impersonation fraud, somebody takes a cash out refinance in in your name, what is your recourse as a victim? Are you going to have to call Fannie Mae and convince them that there was fraud and then negotiate some sort of settlement? It is concerning that all of this would happen outside of a regulated claims process and certainly if the process is lengthy or difficult it could result in loss of home equity or even loss of one's home. Finally, as mentioned earlier, this pilot does run contrary to the well-established state based system of title insurance regulations. With the approval of FHFA, Fannie Mae is acting as an unregulated insurer, certainly you could look at this pilot and say that it is conducting the business of insurance without a license which of course violates the NAIC model and beyond that creates a very concerning precedent. At this point, the pilot program is moving forward despite bipartisan concerns that have been raised by Members of Congress, regulators and legislators. Fannie Mae has put out a request for proposal (RFP) to gather proposals for different products to be used as part of this pilot program.

Next, I can touch quickly on the CFPB's RFI and then I'm happy to take any questions on both of these topics. The CFPB has recently issued an RFI and it raises questions about the bureau's intentions regarding federal oversight of title insurance pricing. The RFI specifically relates to fees imposed in a mortgage transaction and of course that includes title insurance. There's also been some insinuation in this process that title insurance might be considered a junk fee although that was walked back to some extent in a recent congressional hearing. The title insurance industry will be providing some comments and feedback on the RFI and it will center primarily on the fact that we want to come together as government entities and private industry to address affordability. That's an important topic and it's one we want to talk about. It's a discussion we want to be part of. We in the title industry believe in the dream of home ownership and all of the benefits that brings to people. And we want to see more people in homes. The letter is also going to provide some data on the cost of title insurance, showing that costs have nominally decreased 5% over the last five years. If you look at that on a constant dollar basis accounting for inflation, that number actually goes up to 36%. This is primarily due to innovation in the industry, things like digitizing past land records, using digital closings, things of that nature. However, despite the use of this innovation, on average title agents spend about 22 hours on each real estate transaction. Finally, the letter is going to outline the very local nature of real estate and the differences in state property laws and these factors reinforce the value of a state based system that can address these types of nuances. And certainly, states have a strong vested interest in being able to regulate the title risks in their state as well as the authorized

insurers. Before I wrap up and take questions, I do want to make everyone aware that FIO did hold a roundtable just last week on title insurance and reforms to the industry. Because the meeting was subject to certain rules, I'm very limited in what I can say about what happened in that meeting. However, the Department of Treasury did put out a readout on the meeting. I think it's pertinent to these discussions so I'm just going to share that quick readout so you get a sense of the meeting.

This was put out just last Wednesday. Today, FIO at the U.S. Department of Treasury hosted a roundtable discussion with representatives from the financial services sector and consumer groups to discuss the title insurance industry and analyze potential reforms. This was part of the Biden administration's efforts to lower costs for home buyers. Title insurance is a product offered by commercial insurance to mitigate title defects and address disputes concerning property ownership and priority of the mortgage lenders interests arising after closing. Lenders generally require that such insurance be obtained and paid for in connection with the closing of a residential mortgage transaction. Senior Treasury officials led discussions that address the structure of the title insurance industry, the costs and benefits of title insurance, consumer awareness and protection, and various proposals for reforms to lower cost for home buyers. Participants in the round table included representatives from groups that advocate for consumer housing access as well as title insurers and agents, lenders, state insurance regulators, academics and other stakeholders. FIO was tasked with convening the round table in connection with President Biden's call for federal agencies to take all available actions to lower home cost, closing costs and help more Americans access home ownership. Among its other statutory duties, FIO monitors the extent to which traditional underserved communities and consumers, minorities and low and moderate income persons have access to affordable insurance products, advises the Secretary of the Treasury on major domestic insurance matters and consults with state insurance regulators regarding insurance matters of national importance. Today's roundtable will assist FIO and its work as it continues to consider policy options with regard to title insurance.

Sen. Lana Theis (MI) stated that it sounds like this could likely bump up against the *Chevron* changes that were recently made. Who would have standing in that scenario to bring suit? Ms. Blosser stated that I will admit to not being an attorney but I think there's a lot of questions around the *Chevron* case that are going to come up in a lot of different scenarios and think everybody is still sorting that out.

Rep. Oliverson stated that I appreciate all of this information bringing this to us and for those that may not know, we were completely unaware of this issue until the spring meeting in April when Ms. Blosser brought it to our attention. And I would just always encourage anyone to use that as an example of we only know what we're educated about so don't assume that legislators know everything that's going on in the industry. If there's an issue that's affecting your business, we'd like to know about it. The other thing I would say is that when we did go to DC, my reception was generally warm from Members on both sides of the aisle that they thought this was a really bad idea on the part of the federal government to reach into the title insurance industry like this. And I guess we'll see. I'd be curious, has anyone talked about the implications of *Chevron*? I'm not sure that the FHFA has the authority to even do this statutorily. I know they think they do. But I'd be curious if there's been any conversation about potentially suing them over this. Ms. Blosser stated that as I said, there's a lot of questions still on what *Chevron* means, whether it relates to this or other ongoing regulatory matters. So, still trying to sort all of that out.

Rep. Bennett stated that I want to note in light of the *Chevron* decision, we'll probably be talking about the impact of that decision on the industry potentially at the fall meeting.

CONSIDERATION OF RE-ADOPTION OF MODEL LAWS

Last on our agenda is the consideration of readoption of model laws. As a reminder, per NCOIL laws, all NCOIL model laws are scheduled for consideration for readoption every five years and if it's not readopted then it's sunsets. You can view the models in your binders starting on page 350. Those models are: model act regarding use of claims history information; model act concerning interpretation of state insurance laws; and state flood disaster mitigation and relief model act.

As a reminder, during our interim meeting last month, we offered an opportunity for comment on these models and so today we won't be taking any testimony but if there are any questions or comments on the models by legislators, we can entertain those now. Does anybody have any comments or questions?

Hearing no questions or comments, upon a Motion made by Sen. Theis and seconded by Rep. Oliverson, the Committee voted without objection by way of a voice vote to readopt the Models.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep. Oliverson and seconded by Rep. Pollock, the Committee adjourned at 12:30 p.m.