

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
NCOIL – NAIC DIALOGUE COMMITTEE
2024 NCOIL ANNUAL MEETING – SAN ANTONIO, TEXAS
NOVEMBER 23, 2024
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) NCOIL–NAIC Dialogue Committee met at The Westin Riverwalk Hotel in San Antonio, Texas on Saturday, Nov. 23, 2024 at 11:00 a.m.

Representative Tom Oliverson, M.D. of Texas, NCOIL President and Co-Chair of the Committee, presided.

Other members of the Committee present were:

Sen. Justin Boyd (AR)	Sen. Michael Webber (MI)
Rep. Deborah Ferguson, DDS (AR)	Sen. Paul Utke (MN)
Rep. Stephen Meskers (CT)	Rep. Bob Titus (MO)
Rep. Matthew Gambill (GA)	Rep. Nelly Nicol (MT)
Rep. Brian Lohse (IA)	Sen. Jerry Klein (ND)
Rep. Rod Furniss (ID)	Asw. Pam Hunter (NY)
Rep. Matt Lehman (IN)	Rep. Brian Lampton (OH)
Rep. Cherlynn Stevenson (KY)	Rep. Ellyn Hefner (OK)
Rep. Brenda Carter (MI)	Rep. Dennis Paul (TX)
Sen. Lana Theis (MI)	

Other legislators present were:

Sen. Josh Carnley (AL)	Del. Mike Rogers (MD)
Sen. Clint Penzo (AR)	Sen. Dennis DeBar (MS)
Rep. Toby Overdorf (FL)	Sen. Hillman Frazier (MS)
Sen. Larry Walker (GA)	Sen. Joseph Thomas (MS)
Rep. Mark Hashem (HI)	Rep. Greg Oblander (MT)
Rep. Peggy Mayfield (IN)	Sen. Bill Gannon (NH)
Rep. Michael Meredith (KY)	Asm. Jarett Gandolfo (NY)
Rep. Rachel Roberts (KY)	Sen. Pam Helming (NY)
Rep. Cherlynn Stevenson (KY)	Sen. George Lang (OH)
Sen. Mark Huizenga (MI)	Rep. Forrest Benett (OK)
Sen. Roger Hauck (MI)	Rep. Mark Tedford (OK)
Rep. Mike McFall (MI)	Rep. Joe Solomon (RI)
	Sen. Patty Kuderer (WA)
	Sen. Mary Felzkowski (WI)

Also in attendance were:

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

QUORUM

Upon a Motion made by Rep. Deborah Ferguson, DDS (AR), NCOIL Immediate Past President, and seconded by Rep. Stephen Meskers (CT), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Rep. Brenda Carter (MI) and seconded by Rep. Brian Lampton (OH), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 19, 2024 meeting.

INTRODUCTORY REMARKS

Rep. Oliverson stated that before we get started, I just want to say how much I've truly enjoyed working with the NAIC Officers and NAIC staff this year in my role as NCOIL President. And in particular, I just want to thank my counterpart, NAIC President and Connecticut Commissioner Andy Mais. Working with him has just been truly a blessing and it's been fun to dialogue and share ideas back and forth. We are incredibly proud here at NCOIL of the strengthening relationship between the NAIC and NCOIL. That has happened really over the whole time that I've been here, I think going back to 2017, and we hope that continues. We do really value the partnership between our regulators and the lawmakers and making sure that we're working together to preserve the state base system of insurance regulation. Before we get started, I'm going to ask the Commissioners to introduce themselves: Oklahoma Insurance Commissioner Glen Mulready; Kansas Commissioner Vicki Schmidt; and Connecticut Commissioner and NAIC President, Andrew Mais. Rep. Oliverson also noted that Washington Senator Patty Kuderer is also here and she is now Washington Commissioner-elect.

RECAP OF NAIC'S 2024 FALL NATIONAL MEETING

Rep. Oliverson stated that the first item on our agenda is a recap of the recent NAIC Fall National Meeting in Denver, CO.

Cmsr. Mais stated that I want to echo the comments Rep. Oliverson made in terms of the relationship between our organizations. The working relationship between between our organizations has been wonderful and we look forward to it continuing. We look forward to the bonds between us being strengthened as we move along. I just want to thank you and all the members of NCOIL. This is the right way to do it and we're happy to be here. As you mentioned, we were in Denver for the actual Aurora for our Fall national meeting. At that meeting, we had 2,300 registrants and about 1,700 of those were in person. We had 24 legislators from 17 states participating in the annual state legislator program that we host. That was our 16th annual program. We've been doing this every year and we intend to keep doing it. As some of you may have been at previous events know, we sometimes had to shift tit because we do need to respect when you're in session so we try to make it as convenient as possible. And as Cmsr. Tom Considine knows, NCOIL CEO, we work with you on meeting scheduling too so things work as well for both of us as possible. And we look forward to continuing to do that. The program. for those who haven't attended, is an opportunity for legislators involved in insurance issues to connect with each other to learn more about the NAIC's role in supporting state-based regulation because remember, the NAIC is a member organization despite what some may think. The NAIC is not a regulator. The NAIC answers to us, the members, the 56 chief insurance regulators of the 50 states, the District of Columbia, and the five territories. So we try to make sure that we explain to everyone what the role of the NAIC is, cooperating, coordinating, educating, and in addition to that, what we are doing as state insurance regulators.

And at this meeting, we discussed some of the 2024 strategic priorities and that includes issues with regards to property insurance markets and catastrophe resilience and I understand that you are going to be considering a Model Act on that issue shortly which I would certainly welcome.

Health and long term care insurance continue to be concerns as does insurer financial oversight and transparency and we're going to go into more detail on that. But insurer financial oversight and transparency we've all heard about, and we all know that over the past several years of an extended low interest rate period, there has been a need to get capital into the market. There have been various ways to get capital in the market and especially in offshore and asset based asset intensive reinsurance. As regulators, we feel it is our responsibility to understand what's going on in these markets to provide transparency because that's how we can provide protection for consumers. And then and the other big issue of the day that we've been focused on is artificial intelligence and cyber. We have a letter committee that we created a couple of years ago devoted to innovation and technology because we see this as a tool to increase the availability and affordability of insurance to reduce friction. But we also know that there are concerns like any tool that can be misused or improperly used and we want to make sure that consumers are protected. And I know some legislators here have participated in some breakout sessions that were tailored to certain issues like the regulation of pharmacy benefit managers (PBMs) and heard from various Commissioners who are leading the work at the NAIC on that. Cmsr. Mulready, for instance, is a leader on the PBM issue.

I would encourage legislators who are interested in attending an NAIC meeting to take part in the state legislative program. Reach out to your Insurance Commissioner or NAIC staff and we can get you information on the program for next year. We would love to see you there. The American Indian and Alaska Native Liaison Committee held a joint panel presentation with the diversity, equity and inclusion leadership forum, and it was called Mind the Gap: Building tribal relationships, exploring and expanding medical access through education, insurance and understanding. And that was focused on issues of medical access affecting American Indian and Alaska Native communities and outreach and education strategies. And I sat through most of that and I found it fascinating what we're doing trying to make sure that all communities have the services they deserve. My state of Connecticut has two federally recognized Indian tribes. So, this is part of what we do at the NAIC and I think it's one of the most important parts of what we do as regulators. We learn from each other. We share with each other. The reason that we think it is important to support state insurance regulation is that we at the state level are the most familiar with the issues facing our states. We have the knowledge, willingness, and ability to protect consumers and part of the way that we do that is to make sure we are aware of issues that may not necessarily affect our particular state.

I'm going through this to let you know there are broad discussions that we have at our meetings because we feel we have to inform each other. You don't want to wait until something happens to you and then wonder what everybody else is doing. We had other educational sessions, the Center for Insurance Policy and Research (CIPR), essentially the NAIC think tank for those not familiar with it, held an educational session looking at short and long term risk associated with commercial real estate investments. We've all heard the concerns that post-COVID, some commercial properties are not necessarily fully occupied or as occupied as projected and what's going to happen? So we have to address those challenges. We have to prepare for them. And the CIPR did a presentation on that. We had a number of other issues that we discussed- the producer licensing task force adopted adjustments to the Public Adjuster Licensing Model Act and that would implement a 10% fee cap for catastrophic claims and 15% for non-catastrophic claims and this is in line with the NCOIL Model that was adopted earlier this year on that issue, so we thank you for that. We're amending our Model so we can strengthen the regulatory

standards especially because people who are dealing with public adjusters, it's usually in the aftermath of something horrible that has happened. People are vulnerable. We want to make sure they are protected. We want to make sure that assignment of benefits, for instance, was done appropriately, not inappropriately and that there were no excessive fees charged.

Also, this was my last national meeting as President of the NAIC. It's been a wonderful experience and part of that has been working with my fellow Commissioners. It's 56 states, we've got different geographies, demographics, and politics, but we work together because we've got that common interest and you don't see that too often and I'm glad that we've been able to do that. And similarly working here with you at NCOIL has been great. And that was one of the things that attracted me to the NAIC way back when I was a state regulator. That was one of the things that made me proud and I hope that will continue and I know that we've got new leadership next year with Utah Commissioner Jon Pike elected as NAIC Secretary-Treasurer. We've got Rhode Island Director Beth Dwyer as NAIC Vice President, Virginia Commissioner Scott White will be President-elect, and North Dakota Commissioner Jon Godfread will be NAIC President. And we talked earlier this morning about how Cmsr. Godfread will be here at NCOIL meetings as we'll do everything we can to get him here because he's committed to state insurance regulation as anyone and I know he's committed to working with you. So I'm looking forward to next year. I'm looking forward to being able to be a little bit more of a bystander. But I will also tell you I will be as involved as I can in working with you as we move forward on this great enterprise of protecting consumers.

Rep. Oliverson stated that I did want to highlight what you just said about the NAIC's legislator program. For folks that may be wondering about that, the NAIC does offer a course for lawmakers to attend their annual meeting. You can talk to your insurance department in your state. I've done it, and many of the lawmakers here that have been here for a while have as well. It really is tremendously informative and helpful and you get a chance to not only understand the policy issues, but also sort of the structure of the NAIC and how they do the work that they do. And so I think it's tremendously valuable and I hope that everybody heard that loud and clear and that you'll contemplate it. I also want to note before we go further that we had three additional Insurance Commissioners at this meeting earlier but they had to leave: Mississippi Cmsr. Mike Chaney, North Carolina Cmsr. Mike Causey, and Texas Cmsr., Cassie Brown. We tremendously appreciate the NAIC's continuing involvement in what we do.

NAIC'S SECURITIES VALUATION OFFICE (SVO) ACTIVITIES

The next item on our agenda is a conversation and update on the activities surrounding the NAIC's SVO. I would like to say thank you to the NAIC by accommodating my request of having NCOIL leadership visit the SVO offices to look and listen and hear from their experts. To recap, there was a delegation of NCOIL leadership that went to the SVO offices in New York City and we got to see it first hand and talk to the folks that run that office and hear what their vision is and what they are trying to achieve. And I think I can speak for the lawmakers that went that we all left with a much better understanding of what the mission was. And also with the changes to the latest SVO proposal and what we were trying to achieve, we discussed that and I think that is another great example of how we can work together. And sometimes the best way to sort of close the knowledge gap is to just get everybody together to see it first hand and so I really am truly grateful to you all for giving us that opportunity to sit down with your staff and with you there and actually discuss this and see it firsthand.

Cmsr. Mais thanked Rep. Oliverson and stated that you, Sen. Paul Utke (MN), NCOIL Treasurer, Rep. Edmond Jordan (LA), NCOIL Secretary, Sen. Lana Theis (MI), Chair of the NCOIL

Workers' Compensation Insurance Committee, and Asm. Jarett Gandolfo (NY), Vice Chair of the NCOIL Joint State-Federal Relations & International Insurance Issues Committee joined us in New York for that discussion. And it shows what can happen when we work together and we listen to each other. It makes the end product stronger. The idea behind this was as a universe of securities, whether private or public expands, we need to ensure that the rating agencies that are working here, we can rely on those ratings so that we know that those ratings are proper. It's been triggered in many ways by significant divergences and ratings. But the SVO is not a rating agency and it was never designed to do that. I think the best way that I heard this described was we want to move from blind reliance on rating agencies to informed reliance on rating agencies. That really is what this was all about. And the proposal we discussed gave the SVO oversight over some of the rating providers just so that we would understand the quality of the work. It was at the beginning controversial and we appreciate those who came to us with concerns and we adjusted that proposal and moved along as we listened. It took a lot of work and there were three or four different exposures and we changed a number of issues. One change focuses on it seemed as if the SVO was going to be doing the regulatory work but that will not happen. So we put in stronger language around regulatory oversight. We, the regulators, will have ultimate authority. We are not leaving this in the hands of the SVO. It comes back to us. We are the ones that were either elected or appointed to do the job and we will be the ones to do the job.

That's why we strengthened that language about the expected involvement and we put it that way of regulators in the process so that there can be no misunderstanding. This is not the SVO talking. This is us as regulators. There were issues about the dialogue between the insurers and the SVO. We clarified that so there would be an understanding that it would be open communication. We also understood from insurers and from legislators that there was a concern that, I'm not going to call it interference, but that the intervention by the SVO would become the norm. We wanted to make sure it was clarified that it would be infrequent and we certainly expect it to be infrequent. We do not expect that to be the norm. And then we did say that the insurer may involve any authorized party in the discussion that includes a credit rating agency and any other party that the insurer may choose. And again we're all stakeholders in this. We want to work together to make sure we get the best possible product. So based on what we've done, I think we've got a better understanding of the regulation. We've got a clearer understanding of the SVO's role and we understand regulator oversight is essential. So that's what we're looking at now. One point that was brought up and I think it may have been at one of our meetings, we want to make sure that it is absolutely clear that the staff must have no conflicts of interest and no financial involvement, no financial incentives in part of what we've been looking at.

The other issue that I wanted to touch on is the framework for regulation of insurer investments and there's a framework that we're creating which modernizes the SVO's capabilities to correspond with the ever increasing complexity of insurance products. It's has to be coordination across NAIC groups when it comes to solvency and development of that due diligence program. And we've developed the first draft of the RFP for that and that was exposed at the national meeting this past summer and we sought a lot of feedback like, are the objectives clear? Are the requirements clear? And the selection process for the people that we will use, is that clear? The committee is still reviewing the comments received but we've made clear that the development of this will be a transparent process that we all are part of and we look forward to continuing discussions on that and the work will continue into next year and we hope that we will finalize the program at that point.

Rep. Oliverson stated that I just want to point out to everybody in the room that as we worked through this issue this year, there were many stakeholders that came to us as lawmakers and

expressed concerns. And I believe that the NAIC has done a remarkably good job of recognizing and attempting to incorporate literally every suggestion that we brought forward. This was not sort of a take it or leave it kind of thing, it was a very collaborative effort. And I know from my perspective, I feel like all of the concerns that I brought to you were addressed and I just want to say how much I appreciate that. And in fact, earlier this morning, it was expressed to me by some of the stakeholders involved in this that at this point everybody is at a conciliatory place and feels as though it's a good point to move on.

Sen. Theis stated that I too very much value the relationship that we have which has gotten stronger and that's due in part to the dialogue that we have. I want to thank you for the invitation to New York to go over the SVO information and thank you for your kindness in hosting us. I was extraordinarily grateful for the opportunity to have the back and forth discussion. I still have a few concerns but I am grateful for the movement that you've made. My concerns are twofold. The first one still has to do with due process. If one of the credit rating agencies is determined to be far off from what it is that you're anticipating, I believe they should have a right to be at that table at the behest of the insurer and the request of them. I believe the credit rating agency has a right to defend their position. And then my secondary question is, what is it that would prohibit the SVO from using different criteria in their rating than what federal rating oversight allows?

Cmsr. Mulready stated that before I answer that, sitting here it dawned on me that what we've worked through in this process is really a lot like what all of you deal with in terms of your own legislation and you are challenged on it. You either make changes or you tweak it, or it solidifies the reasoning why you have certain things in there. And that is what we have sort of watched transpire is similar to building up a good piece of legislation that you all do every day. As far as the credit rating providers being at the table, I think our issue is that we regulate the insurance companies and we hold them accountable. That is our direct contact and I would liken it to if we had issues with their financials or other things outside of a credit rating provider, we would not be the ones to invite their auditor or their accountant to the table. That would be the insurance companies' role if they wanted to defend or explain what has happened in that audit. And certainly, we see that the same way. There's nothing that prevents them from being at the table but it would not be our role to invite that person to the table – our role is to hold the insurance company accountable. We absolutely welcome them to invite the credit rating provider to the table, but certainly we don't have a direct connection with them. Cmsr. Mulready asked Sen. Theis to repeat her second question. Sen. Theis asked what prohibits you from using criteria that that are fundamentally different from what the federal criteria are for the rating process? Cmsr. Mulready stated that I don't know that there's really anything that prevents us from doing that if we wanted to utilize that. It will be an open and transparent process though and in fact we're in the midst of an RFP with organizations to help craft the framework for that and then that information would be public information on what we're utilizing.

Cmsr. Mais stated to add to that, there has been no discussion and there is no intention and while there are no absolutes as we're not sure what's going to happen 10 years from now, we have no plans to introduce environmental, social, and governance (ESG) criteria at this point.

Sen. Theis thanked Cmsr. Mais but stated that for the legislators here, please understand that the organizations that have done investing have done fundamental transformation and what they perceive as good investing in ESG was part of BlackRock and Vanguard. They were investing based on that. They've moved away from it because of the negative implication of what was actually happening financially as well as within the public. You're probably all well aware but that's just one example of a concern that I have where an agenda driven policy could end up becoming a part of an evaluation that may not be necessarily required. And this is me personally

speaking. I again appreciate very much what you're trying to do and appreciate the efforts that you've made. I just want to note my concern.

Rep. Stephen Meskers (CT) stated first I'd like to thank the NAIC for their willingness to listen to the legislators and to NCOIL. I was invited to the meeting in New York but unfortunately for personal reasons, I wasn't able to attend. I did attend the briefing in Denver. For those of you who don't know my background, from 1983 on I was in international banking. Linchpin to the investment decisions about the mutual funds in the insurance industry were the rating agencies. If you step forward into the crisis of 1998 and the crisis of 2008, the anticipatory pressures on the rating agencies on their investment criteria are pretty overwhelmingly difficult for them to manage I think when we look at the mortgage markets and commercial real estate. I think fundamentally reaching an agreement on working with the SVO and the valuation process is a lynchpin to protecting or defending the stability and liquidity capital ratios of our insurance industry in each of our states. So I recommend that as we look forward on legislation that we make sure that we have an ally in that office and I'm glad that we're not delegating the authority but we're creating a strong unit in terms of that overview. So I just want to lend my advice be that.

Rep. Oliverson stated that we're going to move on to the next topic here which is a related one. One of the issues that we discussed during our visit to the SVO was with regards to the NAIC's framework for regulation of insurer investments and within that framework, the RFP for credit rating provider due diligence. The NAIC's stated goal here is the establishment of a robust and effective governance structure for the due diligence of CRPs. Would you provide us with some background as to why the NAIC believes that the due diligence is necessary? And also how the proposal interacts with the Federal Credit Rating Agency Reform Act? Cmsr. Mulready stated that I can't speak to the genesis of that other than to say we're at the very beginning stages of issuing that RFP. Rep. Oliverson stated that we can visit later on that. Cmsr. Mais stated that the RFP is one thing that I mentioned earlier that we're working on. We got the last request for comments I think in October and we're still discussing that and we will be working on that next year so that's not been finalized at this point. Rep. Oliverson stated that we'll continue to dialogue on that.

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

Rep. Oliverson stated that the next item on our agenda is an update on the NAIC's Property Casualty Market Intelligence Data Call. We talked about this earlier this morning but for the legislators here, we're all being pushed really hard to "do something". And I think many of us are hearing that and there's a million things you could do and 999,999 of them are really bad ideas. But we have to be able to articulate and push back and explain why. And at the beginning of this year when we first learned about this, it was exciting to know that you were doing this and now we're curious where you are on it and would like to know if you could provide an update and any thoughts that you have as far as when we as lawmakers might be able to access that information in order to do the right thing in our states and not totally blow up our insurance markets.

Cmsr. Schmidt stated that I think that's a great way to look at it and it's definitely a data-driven society we live in and this data call is part of that. On March 8th, we did issue a comprehensive multi state data call and we wanted to gather granular information on the homeowners insurance market. And insurers subject to the data call were given 90 days to get their information back to us so the deadline for submission was June 6th. The data call, we want to help insurance regulators protect consumers. We want to hold our insurers accountable and we also want to ensure that we have a fair, competitive and healthy insurance market in each one of our States

and our jurisdictions. The data call represents a collaborative non-partisan work that the state insurance regulators have undertaken through the NAIC process to address the critical challenges of both the availability and the affordability of property insurance. We want to look at the financial health of our companies. We want to make sure that when a homeowner has a claim that the insurance company has the ability to pay that claim. We know that as you have clearly stated, all of our states are facing an increasing severity of natural disasters. We have escalating reinsurance costs. We have continued inflationary pressures on goods. And we need more visibility into that property insurance cost and the coverage challenges that our states are facing across the nation.

The data call will provide deeper insights into the market concentrations and competitiveness and I'm sitting right next to Cmsr. Mais who's theme this year as NAIC President was "Mind the Gap." And so we want to identify those potential coverage gaps in each one of our states and territories and then also determine where mitigation efforts and resilience efforts might come into play. The data call was gathered at ZIP code level data and we gathered information on premiums, policies, claims, losses, limits, deductibles, non-renewals and coverage types from the property and casualty insurers that represented more than 80% of the national property market by written premium. And as you might imagine, there's a lot of subsets of each one of those in the data. I think there's over 700 lines of data that were requested. Many states already do collect zip code level data on the property markets but not everybody gathers such granular information. And that translates directly into the affordability and availability of the policies. The NAIC hopes that we're going to help everyone, state legislators and us as state regulators, address that gap. Since June 6th, NAIC staff have been reviewing the data and they've been conducting quality checks and reaching out to insurers as questions have arisen. And there have been some insurers that maybe didn't understand something correctly and had to resubmit data so it's been a back and forth process and that staff has been extremely busy since June 6th. NAIC membership has agreed to share an anonymized subset of data collected by the NAIC with the Federal Insurance Office (FIO). We would like to ensure that we don't have undue duplication and that FIO won't go asking the same questions as that's a real compliance burden on the industry if we're asking questions and FIO is asking questions. So we are hoping that with the data that we have agreed to share that we can all be happy. Individual states haven't made any decisions about the future scope of this project or the execution of the data call for subsequent years but I think it's important for you to know that the memorandum of understanding (MOU) that the state signed with NAIC does allow for subsequent calls. And I think the expectation is that it will be an annual effort. If we can develop this data over a period of time and look at trends and troubled spots and make progress on closing that protection gap I think this would be a highly successful while painful process.

Rep. Oliverson stated that there was obviously some interplay with FIO on this and I know we all get frustrated a little bit when they step in our space but I feel very strongly and have always felt that what you're doing is so important. I'm almost not even interested in what FIO's angle is on this because I just want to be able to have the data myself so that in my home state I can not only speak to what's going on in my state, but I can also say to people "Yes, I understand that rates are high and I understand there's some issues but look over here at this state and what's going on." So how do we as a state in the way that we have managed our insurance market, how are we doing compared to other jurisdictions? Because I think sometimes what we as lawmakers hear and you probably do too as Commissioners is that, folks back home think that it's just them and they don't realize that it's literally a nationwide issue and that in some places, they are lucky that it's not as bad there as it is over there and so I really think that this is something that we can all benefit from.

Cmsr. Mais stated that Sen. Larry Walker (GA) just asked him if the data is available yet. No, it is not. I will tell you where we are and I will tell you why. This is the largest data call we've ever done and for a number of companies, this was different data and it's not a normal data call. They're looking at different fields and all that stuff. So we knew that we had to make sure that it was correct and that involved going through various iterations. And part of what we did is we've got the data coming into the NAIC through our MOU but it also was fed back to the individual states at the beginning of the process to make sure that the data made sense. And I will tell you, I'm not sure about others, but we did get some data in Connecticut that made absolutely no sense and there were mistakes made in programming and so forth that we have to go back and fix. So it's perhaps taken a little longer than we would have expected just purely on the technical side of things. We have seen preliminary results, but those aren't the results that we're going to share yet. We want to make sure that we've got everything right before we share. What we've done internally with the regulators is just give them insight into what this data can tell you and if you see it, you will realize just how powerful a tool this can be. So, the short answer is the data is not available yet but we're going to get it out as soon as we can. Cmsr. Schmidt stated that I think going through this process this time will result in next time being much easier. And so it is a process that we're repeating over and over again as we don't want to put bad information out there for any of you or for us.

UPDATE ON DEVELOPMENT OF NAIC'S DATA PRIVACY PROTECTION MODEL LAW

Rep. Oliverson stated that our next topic is an update on the NAIC's Data Privacy Protection Model Law. And if I'd like to say again, speaking to the very positive relationship that we have between the two organizations, we had asked at our last meeting if it would be possible to have a couple of lawmakers participate in the NAIC's working group for this Model and you graciously accommodated us. And so I just want to report that Rep. Matt Lehman (IN) and Rep. Greg Scott (PA) are part of that drafting group.

Rep. Lehman stated that it's been great to be part of the working group as this is a very big issue. I think it has tentacles that go off in a million different directions and I do like that you were welcoming to allowing us to be a part of that drafting because I think it is an all hands-on deck situation. How do we get this to where we are making sure that the data that is gathered is used correctly? And then also, how is it protected? Those are key things I think we're being asked by our clients and our constituents - in this whole world of big data, how am I protected? I like the approach the NAIC is taking. It's been very deliberate and I do think we're on the right track. And I appreciate the work you've allowed us to be a part of.

Cmsr. Mulready stated that the Privacy Protection Working Group was appointed in 2019 and dedicated two years of research to talking about the collection, use and disclosure of information that's gathered in connection with insurance transactions. There's two active NAIC models that primarily play into this: The Insurance Information and Privacy Protection Model Act, Model 670 approved in 1980, and the Privacy of Consumer Financial and Health Information Regulation, Model 672. That was approved in 2000. And that was tied to the Gramm Leach Bliley Act. And while they've provided a good framework, we were moving forward due to business developments, technology developments and that sort of thing to sort of modernize and amend those Models. A lot of work was done. At the 2022 NAIC Summer National Meeting, the request was approved to draft that new Model 674 and that was worked on for a long time. Ultimately, no consensus was reached and the Innovation, Cybersecurity and Technology Committee (H) made a request to extend that work to December 31, 2024. And leadership regrouped and reconsidered what to do on that, whether to continue revising or to start new. And on June 12th, after reviewing public comments from state regulators and interested parties, the working group

held an open call and basically voted to pause work on the Model and instead modernize and enhance existing Model 672. That was after lots of feedback from stakeholders. Model 672 generally provides protections for non-public, financial and personal health information about consumers that insurance companies, agents and others hold or are engaged in. The Chair draft was exposed on August 5th of this year for a 30 day public comment. This was only on Section 5 of that draft which is on third party service provider arrangements. The drafting group was formed and held open meetings to discuss Section 5 of that model on Sep. 30 and Oct. 31.

And it was that drafting group that Rep. Lehman and Rep. Scott are members of and we are very much appreciative and thankful for that input as we come up with a better product when we all work together. We held a regulator meeting on Nov. 4 to discuss next steps for the working group and the group has requested public comments on other sections of the model. Feedback on that is due by Nov. 25. On Nov. 11, the group released a revised version of Section 5 of that draft, giving consideration to those stakeholder comments. And then just in our fall meeting in Denver, the group met and a request was asked and granted to extend the continued drafting on that model and they discussed next steps for that process. And again, I just want to reiterate that it's an open process. We certainly welcome input from all stakeholders, including everybody at this table or other legislators as your perspectives are extremely valuable. You are the ones hearing genuine concerns from individuals and constituents in your district so we need to hear that. The next call we have to review comments is scheduled for Dec. 19.

UPDATE ON WORK OF NAIC'S LONG TERM CARE ACTUARIAL (B) WORKING GROUP

Rep. Oliverson stated that the last item I have on our agenda is an update on the work of the NAIC's Long Term Care Actuarial Working Group. We talked about this at our last meeting, but I understand there been some developments and for those that were not here in July, the NAIC's working group is working to develop a single long term care insurance multi state review approach which I can only imagine is not an easy task. But we were just hoping to get an update and see where you are on that and how it's going.

Cmsr. Mulready stated that to create a consistent regulatory environment in long term care has been a real problem. In 2019 we formed the Long Term Care Insurance Task Force to improve the rate review and approval processes and evaluate options for folks to reduce benefits and help them keep their coverage. In 2022, we adopted the Long Term Care Multi State Actuarial Review Framework. It is voluntary participation. I think the bottom line on this is that many states just don't have the resources to hire the specific and granular actuarial expertise that's needed to really review some of these things. And so it was sort of a pooling of resources for that. So they file with that multi state team which is made-up of insurance department actuaries, they review that and then come back with a recommendation on those rate increases for regulators. It promotes a lot of good interaction between our states. This year, the working group was charged with developing a single process. We were using Minnesota and Texas models in this so they were charged to replace that to have a single process as it was a little confusing with two different models that were being utilized. So, from that, we heard feedback from fellow state regulators, from industry, and some legislators and they largely agreed that a more transparent and explainable single methodology would be more helpful to get more buy in and adherence with different states. So we sought feedback on that. The key questions they were asked to consider were whether adjustments to the Minnesota cost sharing formula would result generally in lower future rate increases for older age policyholders than under the dual approach and whether such an adjusted Minnesota approach would align with key principles. Last month, after months of discussion and public input the working group adopted the Minnesota approach with the current cost sharing formula to be used as a single long term care

multi state rate review process. There will be a call on Dec. 13. on that and the ultimate intent here is that potentially the group would disband at the end of this year.

ANY OTHER BUSINESS

Rep. Lehman stated that there's a growing issue I want to just chat about. Indiana and a lot of Midwest states have been hit really hard with hail and the response from industry has been we're losing money we got to take rate and the Departments to their credit have managed it very well. I'm in this business and we've seen increases of 20% or 30% in premium. There's also the shift of transfer of risk back to the insured. And we just had one of our carriers announce that they're going to a \$5,000 minimum deductible and actual cash value (ACV) on all roofs regardless of the age. And so, if you play that out, if I have a 10 year old roof if it's going to be depreciated say 20% or 25% at ACV and I have a \$5,000 deductible, if I lose that roof, I'm going to pay half that claim. We have other companies that are going to have a percentage deductible, some even as high as talking about 5%, so if I have an \$800,000 house I'd have a \$40,000 deductible on my wind and hail. When we talk about affordability of insurance, I may be able to afford the premium, but I can't afford to pay the claim. Is that a concern at all of the NAIC that we're creating a situation where we are transferring risk back? And there's no buy out, you can't buy down a lower deductible or buy it back at replacement cost. That's just what it is. And I know maybe it's just a season and carrier's may soon back off of it but during this season, I think we're creating for the consumer some difficult situations. Has that hit your radar?

Cmsr. Mulready stated absolutely, it's on our radar and our response to that is twofold. Number one is that we are focused on resilience and mitigation when it comes to specifically homeowners insurance. I can't impact the weather in Oklahoma but we can help with resilience and mitigation. And so I know that tomorrow the NCOIL Property & Casualty Insurance Committee will consider the Strengthen Homes Model Act which is similar to what we passed in Oklahoma this year. Things like that will issue grants that allow folks to afford to fortify their homes. So, resilience and mitigation is a focus, but I think the second thing is maintaining a competitive market with lots of choices. I hear what you're saying in that ultimately, that person has been carved out of roof coverage. But that's not the norm. That's not happening with all of our carriers so I think with establishing a competitive free market and allowing them to price properly their product and to rate it properly for the risk, that helps to have a competitive free market and a vibrant environment there and gives choices to folks. That's the goal is to have other choices because not everybody's going that same direction.

Rep. Lehman stated that maybe the follow up to that is several states have done passed laws similar to your Oklahoma law but Indiana has not. So my question would be, have the carriers in your state responded to that positively? Have they said we're willing to back off some of our aggressive wind hail stuff if people do take advantage of the grant program? Cmsr. Mulready replied yes and stated that they haven't come to me and said we're going to drop our rates a substantial amount. However, the vast majority of carriers in Oklahoma offer a substantial discount for a truly fortified home. And as far as industry goes, there's excitement and legitimate support for those type of programs.

Cmsr. Schmidt stated that in Kansas, we're introducing legislation this year around catastrophe savings accounts which I know NCOIL is considering passing a Resolution in support of that concept. The money could be used for catastrophes if it happens but you can also put the money away and then you can draw it down for premiums or for your deductibles. We won't put a limit on that and we're modeling it after some other legislation that we have in Kansas. So stay tuned and we'll see if we can get it done because I think it's going to take a combination of many

things to help this issue. Cmsr. Mulready noted that the NCOIL Joint State-Federal Relations & International Insurance Issues Committee will be considering tomorrow a Resolution in support of catastrophe savings accounts.

Rep. Oliverson stated that before we close things out here I want to note that I would not be here at NCOIL were it not for the fact that my office, as a new lawmaker in the Spring of 2017, received a very kind letter signed by Cmsr. Mulready who at that time was serving in the Oklahoma legislature, inviting me to join this incredible organization that dealt with insurance issues. So Cmsr. Mulready, thank you for that.

Cmsr. Mulready stated that I did want to take a couple of minutes at our last NCOIL-NAIC Dialogue with Cmsr. Considine as NCOIL CEO. He has served for nine years as NCOIL CEO and for those of you who don't know, I was a legislator for a few years in the beginning of Cmsr. Considine's service. I've really appreciated the collaboration and I just want to recognize his service and the relationship that we have enjoyed and that we've enjoyed personally. And we now look forward to working with Will Melofchik who will be succeeding Cmsr. Considine. I also want to recognize just as an update that Washington Insurance Commissioner Mike Kreidler served for 24 years in that role and was previously a state legislator and Congressman and he has retired and Sen. Kuderer is succeeding him. Also, Cmsr. Amy Beard has stepped down from her role as Indiana Insurance Commissioner and Cmsr. Holly Lambert has been appointed to that role and she was previously in the Indiana Department of Insurance as a market conduct attorney. And in Maryland, Cmsr. Kathleen Birrane has stepped down from her role as Maryland Insurance Commissioner and Cmsr. Marie Grant is the new Insurance Commissioner there and she was previously the assistant Secretary of Health in the Department of Health and previous to that had a role with a major health insurance company. And then in Massachusetts, Cmsr. Michael Caljouw was just named Insurance Commissioner there and his background is in government affairs and government relations with Blue Cross Blue Shield of Massachusetts. And then just days ago at our Meeting in Denver, Vermont Commissioner Kevin Gaffney announced his retirement at the end of this year so they will be doing a replacement there.

Cmsr. Considine thanked Cmsr. Mulready and stated that there are two things I'm most proud of here during my tenure as NCOIL CEO: the growth and stability and upward trajectory, financially and membership wise, of the organization; and the way with the support of the membership, we strengthened the relationship with the NAIC. I said when I started this job that the number one reason NCOIL exists is first to preserve state regulation of insurance and it makes no sense for the two organizations to be in conflict. I can't thank everyone enough for their work to improve the relationship and it really, NAIC and NCOIL are comrades in arms for the continuing battle for state regulation of insurance. Thank you for your kind words and thank you for your efforts. Cmsr. Mais stated that I couldn't agree with you more. I remember the old days when NCOIL and NAIC were in conflict and I never could understand why that would be would be. And I agree that people like Cmsr. Mulready from our side have done great work to build this partnership. And for those who weren't there, at our recent Meeting in Denver, Cmsr. Mulready was presented with the NAIC's Raymond G. Farmer Award for Exceptional Leadership and it's well deserved.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep. Meskers and seconded by Rep. Brenda Carter (MI), the Committee adjourned at 12:15 p.m.