

NATIONAL COUNCIL OF INSURANCE LEGISLATORS  
PROPERTY & CASUALTY INSURANCE COMMITTEE  
2024 NCOIL ANNUAL MEETING – SAN ANTONIO, TEXAS  
NOVEMBER 24, 2024  
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at The Westin Riverwalk Hotel in San Antonio, Texas on Sunday, November 24, 2024 at 10:45 a.m.

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

Other members of the Committee present were:

|                                 |                               |
|---------------------------------|-------------------------------|
| Sen. Justin Boyd (AR)           | Asm. Erik Dilan (NY)          |
| Sen. Larry Walker (GA)          | Asm. Jarett Gandolfo (NY)     |
| Rep. Brian Lohse (IA)           | Asw. Pam Hunter (NY)          |
| Rep. Matt Lehman (IN)           | Rep. Brian Lampton (OH)       |
| Rep. Peggy Mayfield (IN)        | Sen. George Lang (OH)         |
| Rep. Michael Meredith (KY)      | Rep. Mark Tedford (OK)        |
| Rep. Michael Sarge Pollock (KY) | Rep. Tom Oliverson, M.D. (TX) |
| Rep. Rachel Roberts (KY)        | Rep. Dennis Paul (TX)         |
| Rep. Cherlynn Stevenson (KY)    | Rep. Jim Dunnigan (UT)        |
| Rep. David LeBoeuf (MA)         | Sen. Mary Felzkowski (WI)     |
| Rep. Brenda Carter (MI)         | Del. David Green (WV)         |
| Sen. Lana Theis (MI)            |                               |
| Sen. Michael Webber (MI)        |                               |
| Sen. Paul Utke (MN)             |                               |
| Sen. Michael McLendon (MS)      |                               |
| Rep. Nelly Nicol (MT)           |                               |
| Sen. Jerry Klein (ND)           |                               |

Other legislators present were:

|                                 |                           |
|---------------------------------|---------------------------|
| Rep. Deborah Ferguson, DDS (AR) | Rep. Bob Titus (MO)       |
| Sen. Clint Penzo (AR)           | Sen. Hillman Frazier (MS) |
| Rep. Matthew Gambill (GA)       | Sen. Bill Gannon (NH)     |
| Rep. Rod Furniss (ID)           | Sen. Pam Helming (NY)     |
| Sen. Jason Howell (KY)          | Sen. Patty Kuderer (WA)   |
| Rep. Bill Sutton (KS)           |                           |

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. Matt Lehman (IN) and seconded by Rep. Nelly Nicol (MT) the Committee voted without objection by way of a voice vote to waive the quorum requirement.

## MINUTES

Upon a Motion made by Sen. Paul Utke (MN), NCOIL Treasurer, and seconded by Rep. Brenda Carter (MI), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's July 20, 2024 and October 7, 2024 meetings.

## CONSIDERATION OF NCOIL STRENGTHEN HOMES PROGRAM MODEL ACT

Rep. Bennett stated that we'll start today with consideration of the NCOIL Strengthened Homes Model Act (Model). You can see that on page 376 in your binders and on the website and app. Before we go any further, I'd like to recognize Rep. Jim Dunnigan (UT), the sponsor of the model, for remarks.

Rep. Dunnigan stated that I appreciate all the work that the Committee has done on the Model. The program that the Model implements is designed to incentivize, encourage, and help people strengthen their homes to have a fortified roof, and provide increased resistance to hurricane, tornado, and other catastrophic windstorm events. From the last time that we talked about the Model, I've made a few changes and I'll just do a quick run-through of those. They primarily affect Section 3, focusing on inspector and contractor eligibility requirements, which I think are good additions to the Model. I also have made a few small changes since the 30 day materials. Based on conversations with several folks, I've removed certain recordkeeping requirements as they really didn't serve enough of a purpose to justify themselves. And also I removed references to commercial standards to clarify that we're dealing with residential homes. And then I've made it clear that only upon request does a homeowner have to provide certain documents to the insurer. Many of the insurers said they already have a database that has that information. If they don't they can request it. And lastly, I've removed the provision regarding the records being subject to the audit by the Commissioner. That struck me as odd and not really necessary. The intent of this is to encourage and incentivize people to strengthen their homes so that they can have better success when these catastrophic windstorm events occur and I'm happy to answer any questions.

Rep. Matthew Gambill (GA) stated that we passed legislation similar to the Model last year in Georgia and while this Model is more specific to roofs and ours was a little broader and included construction in general, this is kind of an opportunity for a win-win-win for not only the owner of the commercial or residential property in our case, but the construction business and then also the insurance business. So this is a great Model to look at, and I'm very happy that we've brought it forward today.

Hillary Segura, VP & Counsel of State Gov't Relations at the American Property Casualty Insurance Association (APCIA) thanked the Committee for the opportunity to speak and thanked Reps. Dunnigan and Gambill for all of the hard work that you have put into this Model. APCIA strongly supports this Model. Thank you for the changes and clarifications you've made throughout this process. I think the end product is a strong Model that will drive participation in these programs in a number of states as they adopt it.

Wes Bissett, Senior Counsel of Gov't Affairs for the Independent Insurance Agents and Brokers of America (IIABA), thanked the Committee for the opportunity to speak and stated that like APCIA, we strongly support this Model. We offer a big thanks to the sponsor and co-sponsor. It was a great initial draft and concept, but we appreciate your willingness to entertain suggestions and proposed revisions along the way. In this hard market, there are not a lot of obvious and

clear public policy options for legislators to adopt but one thing you can do is to try to remove unnecessary costs from the system. And if claims never arise in the first place, that's one way to do that. And encouraging people to mitigate their roofs will hopefully take claims costs out of the system in a way that can provide relief to consumers. We strongly support both components of this Model. The first is the grant program itself. The second is the notion that if you have mitigated your roof in a way that meets the fortified standard, there ought to be some insurance benefit from that. This Model doesn't prescribe what that benefit is but does require that some benefits be provided to the consumer as well. We urge the Committee to support the Model. I want to mention two final things. The first of those is Congress will be looking at tax policy early next year and the way that state mitigation grants work now, they are taxed at the federal level. We encourage you to think perhaps in the next Congress of weighing in with the tax writing committees and urge them to make state mitigation grants tax-free. There's been legislation like that in the past and we presume that there will be again next year.

Paul Martin, VP of State Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for the opportunity to speak and stated that some of you may have heard me say this before - simply raising rates is not going to get us out of the situation we're in in the insurance market right now. We have to stop the losses. And it's legislation like this that we're able to create what is a culture of preparedness. And this is also a personal interest of mine as well. I would point out that a lot of insurance companies are already offering discounts for many of these things. My own insurance company offers me a 10% discount on the entire premium because I have hail resistant roofing. My agent tells me that 90% of his book in Austin, TX does not avail themselves of this discount. So, anything we can do to encourage policyholders to take advantage of discounts which stop the losses is important. I know there's some questions about the proof of having the Insurance Institute for Business and Home Safety (IBHS) certificate for proof for insurance purposes. I just want to point out that I have been able to keep up with the IBHS certificate all these years, including the renewal that I just got. And I called IBHS and I said, "If I lose this certificate, will you send me another one?" And they said, "Of course, it's not a problem." To all of you that have worked on this thank you so much. We think this is a great step in the right direction.

Joel Laucher, Program Specialist for United Policyholders (UP), thanked the Committee for the opportunity to speak and stated that UP is a non-profit that helps people with an array of insurance issues. I do want to support this Model as well on behalf of all the consumers that we work with and are having affordability issues, both with insurance but also in getting some of these mitigations accomplished. So they would benefit very much from grant programs. And these mandates not only recognize the benefits of reducing risk but they help stir the implementation of these mitigations by other consumers. And I'll use this worn-out phrase, "what gets rewarded gets repeated". So to have insurance discounts for people who do this given the soaring cost of insurance, it's a very critical thing to be able to afford it and to get some reduction, even 10%. That's a pretty good discount actually for the coverage. And I will say some of these mitigations are not perfect but even slowing a wildfire can allow the firefighting resources the opportunity to save many homes. We always say to consumers any work you do to help mitigate your risk is doing a favor for your neighbor as well. UP appreciates any legislation that helps move this cause forward.

Rep. Matt Lehman (IN) asked for those states that have implemented these types of programs, my question is on starting the fund. Is that by way of appropriations in the budget? Is that used by carrier assessments? How do you create the fund and what money goes into that fund? Rep. Dunnigan stated that states have funded the program differently. Some states have had a direct appropriation and some direct the Insurance Commissioner to apply for grants or funds

from the federal government. The Model is drafted so as to not make it limited to one approach. There's no taxing authority set forth, the Model directs the Commissioner to seek grants from sources and then other monies as they may get from their legislature can be used.

Rep. Michael Sarge Pollock (KY), Vice Chair of the Committee, stated that I sponsored similar legislation in Kentucky. We're using funds that the Commissioner of Insurance is overseeing. Those funds are made up of fees and fines that our insurance companies pay. And that pot of funds has generated quite a bit so we felt that was a perfect way of using those fees and those fines to offset the cost in the law. We also specifically added \$5 million dollars and those appropriations are used for contractors to be licensed to put a fortified roof on and then also offset the extra cost on a fortified roof through an application process throughout the state. It's starting in my state in 2025 but I will say this, I've heard from an insurance industry representative who is already getting statistics back from the different hurricanes and things that are going on and they said the fortified roof process is saving claim dollars and is definitely worth the discount that the insurance companies are providing.

Rep. Brenda Carter (MI) asked what are the requirements for this grant program? Mr. Martin stated that it's going to vary from state to state. Generally, depending on how you set this up, you would apply for a grant and the Model has some specific requirements of the contractors so that they do the right job and do it in a way that's compliant with the IBHS standard. I will tell you it is something of a laboratory. Alabama is the pioneer here. Louisiana has picked it up and they have been sharing information on what works and what doesn't. One of the pain points from my understanding is from Louisiana regarding when do you open up the grant process? Because they were opening up at midnight which sounds great unless you are someone who for whatever reason, whether it be a medical reason, is not awake at midnight. And based on some of the feedback, they have changed the time to make it more convenient for people who may not be awake at midnight. And along the lines of what Rep. Lehman asked, the funding has varied from state to state. In Louisiana, when they first brought this on, they had some excess funds from premium taxes but because the take-up rate and the interest was so strong, they've actually moved it and now they make this a part of general revenue.

Rep. Carter asked who qualifies for the grants? Mr. Martin stated that again, that's going to vary from state to state. One of the conversations we've had is should there be some sort of means testing for this? And I think this is one of the situations where you take this Model and then you tweak it to fit your particular situation in a state. I don't know that we have a burning desire that the grant program must be a certain way. What I have told Commissioners and legislators across the country is you need to be on the phone with your colleagues in other states who are doing this to find out what works and what doesn't work and then tweak it to your situation. Mr. Bissett stated that in terms of qualifying, it has to be an owner-occupied, single-family primary residence. So it can't be a second home, vacation property, or commercial property. The other thing I would note is a lot of the rules will be established by the regulators who set up and stand up the programs but the Model does state that there is to be priority given to certain applicants such as lower-income applicants.

Rep. Mark Tedford (OK) stated that regarding Rep. Lehman's questions on funding, I sponsored similar legislation in Oklahoma. We funded the program with \$10 million from premium taxes. We felt that was the appropriate mechanism to get the funding because it didn't require a state appropriation and in Oklahoma there is a resistance to public money going to private individuals and they felt like the fact that the premiums have increased so much in the state that's also increased the amount of premium tax revenue. So there's a way to return some of that tax revenue to the policyholders by virtue of these grants so that's the way we funded it.

Sen. Larry Walker (GA) stated that I'm from Georgia and in our Constitution we have gratuity clause so I don't see how we could use taxpayer dollars for this grant. Do you see that in other states or is there a way around that issue? Mr. Martin stated that we hear this from time to time, and the short answer is it may require a referendum to get around that. So again, with the Model process, we have the Model and if you need to make tweaks to it to bring it to fruition, so be it. That's not to say, however, that the state could not go out and look for other sources of funding and some of that might be at some point federal funding and that's one of the questions that we have had from regulators is how do we structure our statute and our regulations so as to meet the qualifications of whatever Congress might do? And I wish I had a crystal ball because asking me what Congress might do two years from now and how to structure your statute now to be receptive of it is really challenging. So I think that's part of the ongoing dialogue that I know that we on the trade side have had with our federal colleagues is to figure out how do we create conduits to make Model like this receptive to whatever might be coming from Congress down the road. Mr. Bissett stated that I would hate to opine on Georgia law but I guess one thing that I would wonder is if the grants came from licensing fees and fines as we've heard about before, whether that would be viewed under your Constitution in the same way - it might be, it might not. But there might be sources of money out there that essentially would be outside of that constitutional prohibition.

Sen. Walker stated that getting back to the fortified roofs, I'm a property and casualty agent and I think bought all of my clients a new roof over the last few years so they should be in great shape for a little while, but the cost of roofs seems like to me since about 2020 have gone up 40% or 50% just for a standard roof. What is the price differential for a fortified or hail resistant, wind resistant roof? Mr. Martin stated that I can tell you that from a new construction. I don't know if this is going to be congruent but for new construction the delta between building a house with everything versus building house to the IBHS standard is about 2% or 3% more. Now, on the roof per se, the last time we did the analysis in Texas was that the recapture time of the cost just for the roof is about seven to nine years. So if you buy a 20 or 30 year roof, around the seven to nine year point you start saving money. You start actually making money by the fact that you have this endorsement on your house and you're paying less in premium because you have a hail resistant roof.

Sen. Walker stated that my last question gets to standard type roofs, asphalt shingle roofs, and the manufacturers will sell you what they call a 30 year roof or a 40 year roof. In Georgia with our climate we don't see roofs last that long. If you get 20 years out of a 40 year roof, you're fortunate. Is the quality of the roofs not as good as they used to be or is our weather just different? Should we hold manufacturers to some sort of different standard? Because our insureds, when we tell them your roof's 20 years old and we can't write your house, they come back with, "well, I bought a 40 year roof." So it's a real misconception in the market as to what they think they have versus what they actually have. Has there been any thinking along those lines? Mr. Martin stated that the short answer is yes. I know Roy Wright, CEO of the IBHS, has been here at NCOIL and they actually grade kind of consumer reports on roofing and they've actually had situations where there was a manufacturer of roofing and they gave them a failing grade and the manufacturer called up IBHS and says, "What do I have to do to get off your bad list?" And Mr. Wright said, "You've got to make your roofing better." And they went back and pulled all of their stock currently that was in inventory, upgraded their stock, and they've actually upgraded their grade according to IBHS. And so that is why these certifications are so important is that you've got a watchdog, you've got someone setting the standard like IBHS or someone else doing the hard work and doing the research to say if you want hail resistant roofing, and if you really want a 30 year roof, well, you go to an organization that's scoring these

roofs for you so that you can have a conversation with your builder, with your contractor, and make sure you're putting on the roof that will actually perform as advertised.

Rep. Bill Sutton (KS) stated that this question is actually for the legislators who have implemented similar legislation. As much as I love the idea of applying for a grant that will get me a reduction to my insurance rates, I heard one number of \$5 million. I heard another of \$10 million. How many people were turned away from that and how fast did that money disappear? Rep. Dunnigan stated that I think that's a good question and it kind of goes back to Rep. Lehman's question as far as the funding. The Model provides for the Insurance Commissioner to seek grant funding by several means. It also has a drafting note pointing out that other states, as has been described, have implemented a variety of ways to get money in the pot. This is brand new so there's nothing that's been created on that. That's a good question for maybe some of the states that have done this to see how long it has lasted. Rep. Tedford state that Oklahoma has just started the program so the grants won't even be issued until January so I don't know how fast it will be used up. Rep. Sutton stated that he didn't realize the law had not gone into effect yet.

Mr. Martin stated that the answer is it can go very quickly. It's a function of two things and real simple math of how much money is in the pot, and what restrictions do you have on who's eligible. So the more money you put in and the more restrictions you put in, like means testing or some other restriction to make sure that you're not giving someone who's got a \$2 million home \$10,000 to subsidize a roof replacement is good. You could be using those funds to help people who are really struggling and some of the feedback we've received from some of these states is if the roof costs \$12,000 and the grant is \$10,000 and I'm a low-income person, the roof might as well cost \$50,000 because I can't come up with \$2,000. So I think that's something where you take this Model as legislators and you figure out what works for your constituency in terms of funding, and what makes sense in terms of qualifications and restrictions you place on the process. Rep. Sutton stated that my overall take on that is from the first sentence "it can go very quickly." And that immediately looks to me in practice for state legislation a whole lot like picking and choosing and deciding who gets his money, and it's public money, and who does not. So I have some concerns in that regard.

Rep. Gambill stated that I know that we're insurance focused today and I think that this is a little bit bigger than just the insurance component of it because when we were thinking about it in Georgia, we were thinking about it from the standard that a lot of people don't even know that this fortified construction exists. And so we wanted to create an incentive for them to know about it and we didn't appropriate funds to help provide grants through our Department of Insurance. The discount is solely left up to the discretion of the insurers in our state. I know that what we're talking about today is focused more on roofs but fortified is definitely bigger than just roofs and it's not material specific. It can be concrete, it can be wood. It can be accomplished through a myriad of construction methods but the general thought is it's great if people choose to go this route. and we want more people to do it. We want better built structures.

Hearing no further questions or comments, upon a Motion made by Rep. Mike Meredith (KY), and seconded by Rep. Pollock, the Committee via a voice vote voted to adopt the amendments made since the 30-day materials were issued with Rep. Bennett determining that the yes votes clearly outnumbered the no votes. Then, upon a Motion made by Rep. Pollock and seconded by Rep. Tedford, the Model, as amended, passed via a voice vote with Rep. Bennett determining that the yes votes clearly outnumbered the no votes.

Rep. Bennett thanked everyone for their participation throughout this process. It's been a long road, and as a member of a legislature that adopted similar legislation, it was a great opportunity for bipartisan action to help people. And however you decide to design it in your states I know that it will be a benefit to our constituents. The Model will be placed on the Executive Committee agenda for final ratification.

#### CONSIDERATION OF NCOIL ONLINE MARKETPLACE GUARANTEES MODEL ACT

Rep. Bennett stated that next on the agenda is potential consideration of the NCOIL Online Marketplace Guarantees Model Act (Model). You can find this Model on page 383 in your binders and on the website and app. Before we go any further, I'd like to turn things over to the sponsor of the Model, Rep. Brian Lampton (OH).

Rep. Lampton stated that it's been great working with everyone on this Model. We've been discussing it since the Spring Meeting in April and I've had several meetings with interested party meetings and staff. We've heard several concerns that have been raised about the Model and I've been glad to accept amendments or language changes but I haven't seen anything specific in terms of changing or removing any language. I'd like to continue to work with everyone to address those concerns. I'm looking forward to our discussion today to find out if perhaps some specific information can be shared in terms of potential changes.

Rep. Bennett stated that there has been a lot of conversation about this Model and I want to make sure that everyone gets a word in and has their questions answered today. And in full transparency, at the conclusion of the conversation, we'll determine whether or not we're going to move forward with a vote today or whether we're going to give it more time for discussion. And I think all interested parties at the speaker table understand that at this time.

Ms. Segura thanked the Committee for the opportunity to speak and stated that APCIA does have concerns with the Model as currently drafted. I'll start off with the fact that the definition of the "online marketplace guarantee" is so broad that it creates an unlevel playing field. How it's defined, it currently falls within the definition of insurance. There are already insurance products out there which cover these property losses and this Model would allow nearly identical products to be offered in a much different regulatory structure. We have been looking for a way to kind of thread the needle to separate and clearly distinguish a guarantee from the insurance product. So far, we have not been able to find that solution. What I would say is if an NCOIL Model appears to overlap with existing regulatory framework, that could result in objections from state insurance regulators during efforts to get a Model enacted in the states. One of the concerns we have is there's an inherent conflict with the definition of "travel insurance." If you look at the National Association of Insurance Commissioners (NAIC) Travel Insurance Model, which was a seven-year process to get adopted, it is currently enacted in 37 states. In that Model, it defines "travel insurance" as "damages to accommodations or rental vehicles." In this Model that's proposed, the host protection seeks to call not insurance what is in direct conflict with what is defined in the travel insurance Model as "travel insurance." The definition in the Model that is proposed includes language saying "any damages or loss of income arising out of the use of the online marketplace." That's really the same wording as "damages to accommodations" which is in the travel insurance Model. Again, we're trying to figure out a way to break these two apart but so far we haven't got there.

Another concern we have is with whether there are funds to meet the obligations that would be provided by these guarantees. The proposed Model allows the entities to offer the guarantee to either back them by an insurance policy or to meet certain requirements based on market

capitalization of net worth. The latter two options that they propose are a form of self-funding, kind of like self-insurance. However, these two measures really are not a good indicator of the ability of the marketplace to fulfill the obligation that they are assuming under the guarantee. The measures don't reflect liquid funds that are available to pay obligations that are assumed under the guarantee. If you look at self-insurance, it is obviously permitted out there in the marketplace. It's permitted in commercial auto and workers' compensation. In both of those cases there are rigorous requirements in place. Approvals must be secured. Self-insurance exists in personal auto as well. Requirements vary state to state but they usually involve posting a cash deposit or a bond equal or greater than the financial responsibility limits. So our concern here isn't so much with the self-funding option, but rather with the measure to ensure that there's going to be funds to meet the obligations that are being promised. So that is another area that we think needs to be narrowed and clarified. We are happy to continue our discussions with the representatives of the platforms to address these concerns with the goal of making sure that we have a strong Model that comes out that provides clarity for everyone involved in the process and that we're not creating dual regulatory tracks for the same product. We want to make sure that parties to the guarantee are protected and that state insurance regulations are followed so I would say at this point we don't feel the Model is ready for a vote.

Tony Cotto, Public Policy Counsel at NAMIC, thanked the Committee for the opportunity to speak today in opposition to the Model, echoing everything Ms. Segura said. Our members support innovation and technology in insurance markets and to be clear that is exactly what we're talking about here, insurance markets. While states have some nuanced differences in specific definitions of "insurance", the notion that a transfer of risk like that contemplated by the proposed Model is not insurance because of the first sentence in section 4 that simply decrees it not insurance, strains credulity. Most of your state insurance codes lay out entire volumes of regulatory requirements for entities engaged in indemnifying others or paying specified amounts upon determinable contingencies. Again, that's what we're dealing with here. That's what we're contemplating, which is made painfully clear by the drafting note on page four. If I were still a regulator you can be certain that even with my extreme free market and limited government proclivities, I would consider this an insurance product within my jurisdiction. If, in fact, the objective of the Model is to protect consumers and promote transparency, fairness, and accountability, which is all in there, then subjecting these business practices to the same scrutiny as existing products currently filed with your departments of insurance and approved all across the country today, that's what Section 1B says, then in situations where the provider chooses to charge separate consideration and avoid premium taxes, as contemplated by Section 4C, that's another big problem. And I suspect it's probably not just me that hears "minimum threshold" in Section 4E and thinks that looks an awful lot like a deductible which is the language in an insurance policy. So if this body is determined to pass something in this arena, the Model should be narrowed with specific applicability to short-term property rentals. That's one suggestion we'd have. Limitations or a flat-out prohibition on payment of consideration. Maybe limitation on total value. We can figure out what the number is. And additional clarity on the potential liability whether it only flows one way from the host, whether it also could include things like slip and falls. There are all kinds of questions around that. Ultimately, we can't get away from the fact that as currently contemplated these products are insurance. We're happy to work with everyone and we'll narrow the language and we'll provide some language but as it sits today, NAMIC cannot support it.

Brad Nail of Converge Public Strategies representing Airbnb thanked the Committee for the opportunity to speak and stated that I'm joined by Byron Wobeter, Associate General Counsel at Airbnb, to help answer questions that the committee might have. We've discussed the substance of this in multiple committee meetings so I'm not going to spend a lot of time other



than to just summarize it by saying the Model itself deals with transparency, it deals with consumer protection, it deals with registration and enforcement so that the states have a proper framework to be able to understand and to control what might happen with folks who want to do these guarantees. I want to address some of the points made by Mr. Cotto. The assertion that it is clearly insurance as it is being operated today is incorrect. There are almost half the states that have statutory guidance that says that this type of guarantee is not an insurance product. If you think of it in terms of, for example, a service contract, we've dealt with service contracts and service contract models in the legislatures before setting out the fact that these should be able to be offered and you do not have to structure it as an insurance product. If you think about a warranty, just because you want to warranty work doesn't mean that you have to structure it as an insurance product. These types of guarantees are with that and that's why the Model that's before you is structured very similarly to the NAIC's service contract Model that I think there's some familiarity with here. NAMIC has expressed all along just really philosophical concerns about this Model and we and the sponsor have tried to amend it to try to narrow this.

One of the concerns I think is that are there companies out there who could try to take advantage of this guarantee model being in the statute to essentially offer insurance but get around all the insurance regulations. That is not what Airbnb is doing and I don't think there's any dispute about that. But I know that the sponsor has amended this along the way to try to narrow it as much as possible to prevent that from happening and we feel like it has been sufficiently narrowed to prevent those worst-case scenarios from happening. There's very clear language in there that if you're offering this type of guarantee, it has to be ancillary to the primary business that you're conducting. You can't just come up with a guarantee company to go out and sell to people. You're conducting business, and you're offering this guarantee. You're backing what you're doing through this guarantee. For the comments from Ms. Segura, we think that this is not in any way in conflict with travel insurance and I know that's been one of their concerns. They have members who sell travel insurance and they're concerned about that conflict. In fact, this guarantee works in conjunction with travel insurance because if you think about it, definitionally in the Model, this has to be a two-sided marketplace. This is for the online marketplaces where, to use Airbnb as the example, you have the contract with the homeowner on one side and the contract with the person who's going to rent that property on the other side. And all that the guarantee is doing is focusing on guaranteeing any property damages, not liabilities, it's just property damage to the homeowner. So travel insurance would be sold to the renter of the property and that would cover the damage. So we would actually encourage and we think it's great for them to buy travel insurance because then there is insurance to cover those prospective damages and the guarantee doesn't have to come into play. So, they're really not in conflict with one another. They should work together and in fact, Airbnb as an example has offered travel insurance through carriers on their platform and that's something they would consider doing further.

The solvency question I think is not a real concern in that there are provisions in Section 3C as Ms. Segura was pointing out that lay out what the requirements are. You either have to back your guarantee with some type of insurance policy so the guarantor would either have to have an insurance policy to back their ability to pay what they are guaranteeing, or if they are of a certain size, then they can do this without that insurance policy. That is consistent with the service contract Model. That is consistent with other things that we have done and that we see. So I don't think that is anything unusual or raises concerns. I think that a lot of the concerns are actually based on either a misreading or a misunderstanding of the language that's in here. I think the sponsor has worked very hard to try to tailor this and narrow this and make it something that is effective. Our position is if it's the will of the committee that this needs further discussion then we will absolutely engage in those discussions. Our position as we sit here

today is that if we delay this then the end result will be we're going to be back here in April with language that has had no substantive changes at all and you're going to be approving essentially the same language that's in front of you today and the only impact will have been we will have missed the opportunity to file this in states in the 2025 legislative session where it's needed in those states.

Mr. Wobeter stated that one thing brought up was the threshold or the deductible and Airbnb does not have one. The reason that is in the Model is if you go to the actual text, we do know that there could be others that might actually have a deductible and we want to make sure that those are conspicuously shown to consumers before they sign up. And so the reason that it's in there is to ensure that it's out there. If we were silent on it, we would be scared of platforms having them and then when something came up or they needed to utilize the guarantee, it would not have been clear to the consumer up front. And then to Mr. Nail's point on this, we disagree that this is clearly insurance. We have pointed to various exemptions within the state codes in approximately half of the states and then case law supports that it's not insurance elsewhere. What this does is actually give a framework for regulatory guidance and consumer protections, even though those exemptions exist and they're pure exemptions. And so we feel that it's important to have this from a consumer protection perspective.

Rep. Bennett thanked everyone for their comments and stated that there obviously needs to be further discussion on this so we won't be voting on this today.

Rep. Lehman stated that I'm hearing the comments about whether or not this is insurance - has the NAIC weighed in on this at all? Mr. Nail stated that in 2016, the NAIC came out with a white paper that really analyzed the home sharing market as a whole and it did include analysis of the guarantee that is being offered here. So they've looked at it. Our interpretation is their determination was that this was okay. This was not an insurance product. But in more recent times, there have been a couple of states that I think are revisiting that and so the impetus for this Model is to in those states that don't already have clear statutory guidance for you to be able to give those regulators the statutory guidance that this is okay and to maybe alleviate their concerns around whether they should take a look at this as being an insurance product in disguise. Rep. Lehman stated that in Indiana, we passed some pretty broad language regarding home sharing and I think the guarantees were not insurance. Over time, though, like you just said, I think that's being reviewed. Are we at a place where we should now come in and say we want to now say for a fact it's not insurance when it's moving almost kind of in the opposite direction? You're having more people look at this as maybe it is insurance and we should take a deeper look. And I'm hearing Ms. Segura say we're trying to thread this needle. Are we close to threading the needle? Mr. Nail stated that it's only when it meets very specific conditions that it is not insurance and that's what we're trying to lay out in this Model. We don't want situations where it can be interpreted broadly so that people can circumvent that system. As far as whether we're close to threading the needle, we've been talking to NAMIC for some time on this and there may just be a philosophical divide there that we'd like to overcome and our discussions with APCIA have been very recent. And we've had some exchange of language where we thought we were close and that's how that goes in the legislative process.

Rep. Lehman stated that I'm very supportive of Airbnb's platform and what you're doing but I think we're maybe getting now to a place where we need to have more conversations about this. Mr. Wobeter stated that the other thing is these could be narrowed in the states as well so we would continue to work as we would roll this out. Mr. Nail stated that I would echo Sen. Mary Felzkowski's (WI) comments from yesterday where she indicated from one of the Models up for consideration that sometimes it's okay to send something that is a little broader to the states

and then narrow it there if we see that's an issue. I really think that the work that the sponsor has done on this in narrowing is the right way and that we're in a good position but we're obviously open to hearing other thoughts on that.

Mr. Cotto stated that I was part of NAIC's staff in 2016 when that white paper came out. White papers do not express the position of the NAIC and the NAIC's Service Contract Model has only been adopted by 10 states. So that agreed upon legal fiction on service contracts has only been adopted in 10 states.

Sen. Walker stated that for clarification, Airbnb doesn't require the damage waiver for your guests to purchase - it's optional, correct? Mr. Nail replied yes, and stated that this is not any kind of a damage waiver for the guests. This is only a guarantee to the host that damaged property will get compensated for. Sen. Walker asked if that's built into the contract already for the host. Mr. Nail replied yes - any coverage for the renter would not come from us. It would come from, for example, a travel insurer.

Sen. Walker stated that I hear the eagerness to get this done today and I hear the opposition and I think they raised some real valid points. If we were to remove the ability to self-insure and required the online vendor to back this with an insurance product would that be acceptable to everyone to get this done today? Otherwise, I would be in favor of further discussion and education on the issue. Ms. Segura stated that I don't think that that would go far enough. I think we do have a disagreement regarding how much definitions have been narrowed and right now, it's like the saying "if it looks like a duck and it quacks like a duck, it's a duck." Sen. Walker stated that well if they back it with insurance, that's insurance protection so it seems like to me that's not really fair. Mr. Cotto stated that I'd say it moves it in the right direction but registration is not regulation. Mr. Wobeter stated that we would be open to it and in fact, if you look at the service contract realm, I think at least one state requires a reimbursement insurance policy for the solvency provision and we do carry a contractual liability insurance policy (CLIP), a similar type insurance policy on the back end to back us. And so we're open to that. Mr. Nail stated that we anticipated that if this Model went into the states that there would be some states that would probably want that but that it doesn't necessarily have to be a requirement so it's something we're prepared for.

Sen. Walker asked the Committee if they would be acceptable to that type of amendment? Rep. Bennett stated that it seems to me at this point that this is not going to get a vote today and so we will be working between now and the next meeting and we'll talk about that proposed amendment and make sure that everyone is engaged in the process.

Sen. Felzkowski asked if this Model has passed in any other states? Mr. Nail replied no, it's not really a Model as we sit here today. Sen. Felzkowski stated that I have a problem with the process on that one. I would think normally that a legislator passes something in a state and it's very thoroughly vetted and the Governor signs it and then a legislator brings that Model to NCOIL. I like that process much better. It would get signed off from an insurance commissioner going through the process. I think that process would have been much more palatable to a lot of us sitting here in the room instead of having a national insurance organization sign off on whether this is or is not insurance. So this process is a little uncomfortable for me as an insurance agent of 40 years and as a legislator. But in addition to that, I did go out and I googled on your website, host damage protection and as I'm reading through what host damage protection covers, I could just really put property damage in there and then loss of business income, additional living expenses - all part of the insurance product. And then the

reimbursement process, I could have put claims process in there. So again, you want to tell me it's not insurance but I'm struggling.

Mr. Wobeter stated that the guarantee is structurally different than insurance. A guarantee, if you go deeper into the terms you'll see that it only includes and covers what the guest is responsible for based on our terms of service. So it's only guaranteeing what the guest is ultimately responsible for and it's different than insurance in the structure that way because there are those three parties. The second structural difference on the reimbursement process is that the host first goes to the guest to pay for the damage that they cause and we have a whole process in our platform to do that. It's only when the guest does not pay or doesn't respond that the guarantee would come into place. And so it is structurally different than insurance, whereas insurance is generally a primary obligation where they would pay and then recover on the back end. We also recover on the back end as well from our guests based on our contractual terms.

Sen. Felzkowski stated that so then you're going to, in other words, subrogate back. We can change the terms, but the concepts are all the same. Mr. Wobeter stated that we still think guarantees are a different structure. Sen. Felzkowski stated that so that's why if you would pass this in a state and vet it through the committee process and have that insurance commissioner of a state sign off on it and have a successful bill and have a legislator introduce it at NCOIL, I think it would be a much better process and one that I think would be very palatable to a lot of us sitting in this room. Mr. Nail stated that to amend my answer to your first question, this Model has not been passed in any states but there are about half the states that have statutes that capture this but it's not as specific to this activity which is why we're seeking this Model. We think the specificity would be a benefit but it's not as though the concept has never been discussed in the legislature.

Rep. Tom Oliverson, M.D. (TX), NCOIL President, stated that this is not the first time the issue of whether something is a duck or not has come up. On the flip side, I would point out that I think everybody in this room knows that statutorily, health sharing is not considered insurance, nor are health benefit arrangements offered by farm bureau corporations, and they are not subject to state regulation. Now, you can argue whether that should or shouldn't be the case but it is the case. So this isn't like breaking through a glass ceiling that's never been broken through before and I think it's important when we talk about whether it's insurance or it isn't insurance that we recognize the fact that there are certain circumstances under which we've already overlooked that fact simply to provide a product to consumers at a price that they can afford that makes sense for the marketplace. So I'm not in favor of preserving existing paradigms if it's just unnecessary regulation that burdens consumers. That being said, it sounds like there's a fair amount of discussion and that's healthy and I think that's good. My only caution would be if we're saying that we would like to postpone this so that we can continue to work on it, I'm going to insist that there be a good faith effort to do that because if we come back in April and there's not progress that's been made and the insurance position is still that we hate it but we bought a few months and maybe ultimately we can just bleed it out over time, I will be voting for it just out of spite.

Rep. Bennett thanked everyone and stated that this has been a great series of conversations. It does seem to me that this needs further discussion. It seems to me that it comes down to a fundamental difference of understanding and belief in what belongs in this space. And I echo Rep. Oliverson's comments that I hope there is a good faith effort on both sides to work on this. So I'm going to make the decision that we will defer a vote to a later date.

DISCUSSION ON NCOIL MODEL ACT REGARDING INSURERS' USE OF AERIAL IMAGES

Rep. Bennett stated that next on the agenda is a discussion on the NCOIL Model Act Regarding Insurers' Use of Aerial Images (Model). You can find that it on page 390 in your binders and on the website and app. Before we go any further, I'll recognize the sponsor of the Model, Rep. David LeBoeuf (MA).

Rep. LeBoeuf stated that this Model was introduced during our interim committee meeting last month and what I referenced during that meeting was the genesis of this Model was a barrage of constituent calls but also some very statewide news stories around the use of aerial imagery and their inaccuracies. Essentially what was occurring was that even when photographs were provided, consumers were having difficulties remediating and curing the errors. Solar panels were identified that were assumed to be damage. There were inaccuracies on what the material of the roof was. And in my office I had to work very extensively with those in my district to see if there was a clear path to get that resolved. And essentially there wasn't. The point that I want to make and what I made at the interim meeting is that we're not prohibiting the practice of using aerial images. There's nothing in this Model that is looking to prohibit an emerging technology. And there are some vital uses for ariel photography. But again, there needs to be some type of guardrails to protect consumers and I'm looking forward to the continued discussion with everyone today.

Mr. Laucher thanked the Committee for the opportunity to speak and stated that as I mentioned earlier, UP is a nonprofit that helps people with an array of insurance issues, non-renewal being one of them, claims issues being another, as well as coverage issues. And I want to talk about this particular issue that mostly applies to underwriting but also plays a role in the premium the consumer pays. I was an insurance underwriter for several years. I also worked for the California Department of Insurance for 35 years, starting as a market conduct analyst, then a Division Chief of Market Conduct, a Deputy Commissioner of Rate Regulation, and Chief Deputy Commissioner. And I'm very familiar with all the issues here involved with this technology and I'm not here to say that it's the wrong thing to do but rather as mentioned, I want to talk about guardrails.

Insurance today has changed in the 40-something years that I've been involved. We use a lot more detailed risk attributes that are measured about each home or business than used to be. And insurers, because of the use of computers, are able to use that more broad data to come up with different rates for different businesses and homes based on these various attributes that have been added to the equation. And so you get higher differentials between who gets the best rate and who gets the highest rate or often doesn't qualify for a rate. These can be great things but they have major impacts on who is eligible and who is not eligible and how much they will pay. And it's all fair and good if it's done correctly but that's one of the issues that we often find and of course if you work at the Department of Insurance you hear from thousands of consumers each year who don't think the insurer gets it right. And this use of aerial imagery is one of those areas where this has been an issue for many consumers. And so the key here is to allow the consumer to have an opportunity to understand how decisions were made and have specific details about something that can make them pay more money or have a reason that they might have lost their coverage. So one of many anecdotal examples on this. Here is a newspaper article and as already mentioned, homeowners were dropped because of aerial imagery where solar panels were seen on the roof. They come across as shadows or dark spots depending on the angle of the flyover taking thousands of images potentially for many homes. And it is just one home. And here in this case, it was mistaken for moss and the consumer got a non-renewal notice. Another example, this one with satellites which is a similar opportunity to kind of modernize how insurers inspect homes. This one through satellite imagery there was an issue with solar panels. And people object to satellite imagery and aerial

imagery saying where do I get an opportunity to rebut any of this? This seems very intrusive. Well, I would say, over the years, whether this is more intrusive or less intrusive, it is hard to say. Way back when I started, all of these inspections would have been done by somebody coming onto your property. It was an expensive way to do business. Very detailed, but arguably quite intrusive. And this is much less intrusive. You don't even know that the inspection happened.

So it's painless if they get it right. I'm not here to criticize aerial imagery. Advances in underwriting that identify risk and create consistency can lower expenses. This is one of those activities that can do that. And so it provides a lot of advantages for the insurer to lower costs and get necessary information to both whether they want to keep the risk or charge it a little more or a little less. But the necessary piece of this is that anytime you use a technology, you have to get it right. I think we all would agree that getting this wrong or getting the wrong data doesn't help the insurer and it doesn't help the consumer. And the insurer may not know that it missed this opportunity. The consumer tends to feel it very directly and of course often in these cases, it leads to a non-renewal. And I will say in other markets, a non-renewal might not have been the worst thing to happen to you. You just go find another insurer who gets it right and you get coverage. But in today's marketplace where we have many catastrophic losses and where coverage is not readily available for someone seeking new coverage, it is a huge loss to be non-renewed by your insurer. I'll say that particularly in California where I live this is the major thing to not want to get that non-renewal notice. And whether the last insurer got it right or not the new insurer doesn't care. They're just not writing new business where you live.

So the key is to get it right and in fact, almost every state has a law that says underwriting has to be objective, be related to risk of loss, and you have to live by the underwriting guidelines you put in place. And if you don't honor that you are being unfairly discriminatory. So an unfair non-renewal is unfair discrimination and it is illegal. And I don't know if insurance departments are being forceful enough in making that clear to insurers. So often the consumer is the one who ends up where they didn't have enough time to make their argument and then get non-renewed. So that's why we need protections and UP has a put forth the concepts in the Model before you which I think would be very helpful. It's about fairness and notice and objectivity and that's what we are recommending. I will say in California, you get a 70 day notice of a non-renewal. That's a pretty long period compared to many states and even so, an insured might run out the clock. A lot of insurers say, "We trust our aerial image more than we trust you, our customer", essentially although they don't put that into their comments. And it is important that the consumer have a true voice. So again, this is a great technology. It can save money. It can be a great thing that is less intrusive but the problem is when they don't get it right it has a major negative impact on the consumer.

Ms. Segura thanked the Committee for the opportunity to speak and stated that aerial imagery is used by insurers in conjunction with other risk selection tools and that includes the insured's application and building information that's provided to the insurer. Insurers are using this technology to give an underwriter a holistic view of the property in question and it's no different than hiring an adjuster or photographer to take photos of the property and provide a report. We do have some recommendations as we look at the Model that is proposed. Perhaps my first suggestion is to more narrowly address lawmaker-regulator concerns regarding consumer protections and privacy security. We would recommend the Model apply only to personal lines and admitted insurers and I'll kind of take you through some of our comments for Section 4. In Section 4A, there is a requirement that photos must have been taken in the past 12 months. I would say ensuring images are not older than 12 months is problematic. Many service providers of aerial images supply photos that are older. It doesn't mean that those photos are less accurate. Depending on the area of the country you live, whether you're perhaps in a more

isolated area, the time frame of photos may differ. I hear numbers in aerial imagery where an average is perhaps 221 days. So that's seven months so it happens. But in other remote areas, perhaps the aerial imagery updates are not as often. But I will say oftentimes a single view photo is not used for non-renewal. Insurers look at the condition of the property over a longer period of time to assess the building on a holistic basis. Many different providers offer this view. They compare views as to what was received on the application or what is understood from past inspections or stated roof replacements. It's really the additional information that is used in the underwriting process.

Moving on to Section 4B regarding establishing a point of contact and process for the owners to use to provide documentation of completion. I would say that carrier's processes and point of contacts should already be established as underwriting evaluations take place with or without using aerial imagery. And usually the initial contact is the policyholder's agent. I think one of the concerns with some of this wording is it's kind of presupposing that a decision is going to be automatically reversed which could lead to inefficiency and expectations and perhaps the wording could have something about "for consideration." In Section 4C dealing with the risk scoring system criteria I would say that disclosing the risk score may be problematic as many insurers use third parties and their scoring systems may be protected by intellectual property and other contracts between the insurers and the service providers. Additionally, providing a score without context could confuse issues that have been identified as problematic. And if carriers do use some sort of risk score, that varies from carrier to carrier. I would say depending on what it is that an insurer is looking at there are different rating factors and this depends from insurer to insurer. You could have roof condition ratings and some go on five conditions of excellent, good, fair, poor, severe. Just disclosing some of these risk scores could be overly burdensome and require the disclosure of proprietary information. Moving on to Section 4D regarding the time frame for a cure period I just wanted to comment that we don't believe there should be a separate window of cure period that is different than current existing state law. Carriers' underwriting processes are set up to comply with the states in which they operate and they should be allowed to make decisions that comply with existing laws and regulations. And then lastly, in Section 4E, requiring an insurer to offer a renewal policy to a consumer who submits proof that they've cured the defects or conditions that were identified in Section 4A, what I would say is a carrier may not want to remain on a risk that cures some if not all of the issues that were identified. They should be allowed to make appropriate business decisions within their own underwriting guidelines. We have been taking a look at some language and we have some additional changes and I'm happy to provide that to the sponsor for some consideration as well.

Susan Bow, General Counsel of Cape Analytics thanked the Committee for the opportunity to speak and stated that Cape Analytics provide services to the insurance industry regarding the condition and the characteristics of property. The way that we obtain that data is by processing the imagery that we license from various suppliers and we generate the data using machine learning processes which is a type of artificial intelligence. As Mr. Laucher went through, there are a lot of benefits to the use of aerial imagery in insurance such as cost efficiency. It also leads to improved risk segmentation that is actually a benefit to consumers because they are then the beneficiary of more precise and individualized decision making by the carrier. Overall, I have a comment on the Model which is similar to Ms. Segura's view which is that there are a lot of rules and regulations that already cover the issues that are addressed in the Model. I think requiring different processes and standards for aerial imagery could result in conflicting and confusing compliance regimes. There are really three sections of the Model that I want to focus on today. One is the requirement that the aerial imagery be automatically given to the consumer. There is no problem whatsoever in having that imagery available when necessary. I

do think making it a requirement leads to higher costs. The image may not have any data in it that relates to the reason for the non-renewal or other action that is taken by the carrier. And finally, the insured may not dispute the findings. That's a relatively minor point, but one that I did want to make today.

Secondly, I wanted to address the 12-month recency. Cape processes imagery that is 80% of the time within 12 months. That is generally true of any aerial imagery from an urban area. It is the rural areas that will suffer if there is a less than 12 month age for the image that might require a more costly inspection, and things might not have actually changed. Finally, I would like to address the disclosure of the risk scoring system. Cape's scoring system and its related models are highly proprietary. They were developed over a number of years with millions of dollars. We would not want to have a requirement that those get disclosed to the consumer. Also, I don't think having a scoring system disclosed helps the consumer. I think what a consumer needs is understandable and actionable information. They need to understand why a decision was made, what were the factors, what were the conditions, etc. That is what's useful to a consumer, not a number of algorithms or possibly complex decision trees.

Mr. Bissett thanked the Committee for the opportunity to speak and stated that IIABA welcomes the introduction of this Model and we appreciate the work of the sponsor and co-sponsor. I think it's understood that there are many benefits to the use of aerial image tools - it's really undisputed. But as the use of aerial images grows, it's inevitable that there are going to be instances where the images are not perfect and carriers will reach faulty conclusions based on those images. This isn't an imaginary concern. Mr. Laucher pointed to some articles that are already out there. I hear it from members increasingly. This is not something that is just a rare instance here or there. The volume of those numbers are increasing and as Mr. Laucher also mentioned, the consequences of these actions being taken are becoming more and more significant. It's hard in this hard market to find coverage. To be non-renewed by a homeowner's insurer is, it's not too much to say that it really can be traumatic in this environment right now. I'd also say that NCOIL has been proactive in encouraging the use of innovative underwriting and rating tools for many years. There are lots of examples of that. But at the same time, NCOIL has also always been very proactive in addressing the adverse consumer effects that also arise when new underwriting and rating tools emerge.

A great example of that is the NCOIL credit scoring model from more than 20 years ago. It was a new underwriting and rating tool but NCOIL addressed that with guardrails and consumer protections that now are non-controversial. They've been universally adopted. And to me, when I look at this Model and the feedback we've gotten from members, it's kind of a simple concept. The proposal is simply designed to ensure that homeowners who satisfy a company's underwriting and rating guidelines are entitled to a more favorable rate under those guidelines, and they get the coverage that they're entitled to under those same guidelines. It allows consumers to point out inaccuracies or to point to wrong conclusions that have been derived from the use of inaccurate aerial photos. It's the same thing that you did more than 20 years ago with regard to credit information. If there's inaccurate credit information about you, you're able to correct that. The only thing I'd mention is that state legislators and regulators are beginning to take action in this area and having a thoroughly vetted Model will be helpful and it would also promote interstate consistency. One thing I should also mention too is that there have been some statements made that there's a bunch of existing statutes and regulations that are out there that already cover this and already essentially achieve what's proposed in this Model. And if that's the case I would love to see them. Maybe some can point chapter and verse to why this is unnecessary but that's news to the agent community and I imagine to many consumers as well. So we appreciate that this is only an initial draft and there's maybe some



meat that needs to be added to the bone but hopefully this is a good starting point for conversation. And to the Chair and sponsor, we look forward to having to seat at the table and being part of any conversations that ensue.

Mr. Cotto thanked the Committee for the opportunity to speak and stated that as with the previous Model on the committee's agenda, NAMIC does not support the Model in its current form. A lot's been said about insurers' use of aerial imagery, and alleged "spying" and insurers having too much information. It's been in local newsrooms and before this body and at the NAIC. We just don't see the need for this Model at this time as it's drafted. As evidenced by numerous bulletins issued by insurance commissioners within the last few months, as Mr. Bissett was talking about, we think state departments of insurance already have the authority they need, and they're already taking action to oversee insurer use of aerial imagery through their unfair insurance practice Acts. I will skip all of the talk about the public policy behind this as it sounds like we're in a fair amount of agreement on the value of this to consumers. I just want to emphasize that aerial imagery actually enhances fairness and it's an objective measure of risk as it allows for more accuracy which is actually the best rate for consumers. We sometimes get into this mistake of saying, "the best rate is the lowest rate." That's not quite right. The best rate is the most accurate rate. And when we have the image that shows a trampoline or the image that shows a diving board on the swimming pool, you're going to get a more accurate rate. So these images help identify less obvious predictors of future losses that can help consumers like overgrown trees, moss, roof discoloration, all of these things that are associated oftentimes also with just age of a property. So notwithstanding the absence of a need for this Model, as we see it as drafted it creates a number of operational challenges and a big trade secret exposure risk for carriers, particularly as Ms. Segura pointed out, Sections Section 4C, D and E would all drastically limit the insurer's ability to properly match rate to risk and create potential conflicts with the existing state notification laws that Mr. Bissett was talking about. I think we can probably get some of our compliance folks looking at it and get a list of all those notification standards that we think are already in place that would handle a lot of this. We do encourage a focus on Sections 4 A and B if this body is determined to move ahead with the Model. There are clearly conversations to be had around things like the right to cure and the age of an image and we've seen that's kind of where insurance commissioners are focusing their look also. So we think there is common ground for potential agreement and we look forward to working with all of you and everyone here at the table to get it right because these things help consumers. They help carriers be more accurate. And to the point that was made several times, if they're wrong, we need to fix it.

Mr. Laucher stated that in California, we do have a 70 day notice requirement of non-renewal and for reason for the non-renewal, the two articles I showed were California risks that were improperly non-renewed despite our standards. So it's obvious that more detailed requirements like those in this Model could be very helpful. We're also not asking for any one vendor's risk score as that would mean nothing to the consumer. We want details that are actionable and accurate so the consumer has that meaningful opportunity to cure. In the insurance marketplace, we need to be aware of these issues and be more consumer friendly.

Rep. Lehman stated that I appreciate where we're heading with this. I want to take a little bit of an exception to the issues around Sections 4C, D, and E. When we talk about disclosing of trade secrets, etc., this is very similar to what we talked about with the insurance underwriting transparency Model that I sponsored recently and that is all we're trying to get to is do I have a right to know why you're doing what you're doing to my policy? And I think it's for a consumer to simply say disclose to me the criteria you used - did you use a polaroid from an air balloon? What did you use to get this image? And what can I do to cure it? And I'm going to add one

more thing to all this that I think we're getting into and that's a concern of mine as an agent is we're seeing very short periods of non-renewal. I think in Indiana it might be 20 or 30 days but then if I get that non-renewal, then I go to another carrier to look to move it to that carrier and that carrier will tell me "We can't underwrite that risk in 30 days" because we have to go out and do an inspection or get an aerial photograph of it. So we're putting clients, and it's much bigger in the commercial space, into a box of we don't want you anymore and no one else will take you because the time frame is too short. I want to make sure we don't create a problem where you went off the account but no one else will take it because of the timeframes. I don't know if 60 days is the right answer but I think we need to have a discussion around that. I do agree maybe on a little bit on the concerns about requiring a renewal in Section 4E. I think there could be other factors that go into that so I think we've got to tweak that one a little bit.

Rep. Dennis Paul (TX) asked if the Model includes state agencies within its scope? Because in Texas, the Texas Department of Insurance is the one looking at the people's homes and kicking them out of their policies. Rep. LeBeouf stated that was not explicit in the Model but we can continue that conversation around that. That was not taken into account when we put the Model together. Rep. Paul stated that's something you could add to make sure that they are also following the requirements.

Rep. Bennett thanked everyone for their comments and stated that there's some more work to be done on this Model but we're making progress and I appreciate everybody coming to the table. If anyone has questions or comments about this Model please let me, the sponsors or NCOIL staff know.

#### CONTINUED DISCUSSION AND POTENTIAL CONSIDERATION OF NCOIL MOTOR VEHICLE GLASS MODEL ACT

Rep. Bennett stated that the last thing on our agenda is the discussion of the NCOIL Motor Vehicle Glass Model Act (Model). It is on page 369 in your binders and on the website and app. Before going further, I want to address the fact that it had been inferred to some people that there would be a vote on this Model today. There have been some last minute conversations and I would appreciate that those conversations got spread out instead of brought at the last minute. As a policymaker, I like to adhere to a set of standards because it makes it easier for me to make decisions when I have a hard time choosing between the merits of one argument or another. And what this is coming down to is that NCOIL has certain some processes regarding model law development and the process is a model is introduced at one meeting, discussed at a second meeting, and voted on in a third meeting. That is, as far as I know, not spelled out anywhere in official NCOIL paperwork and I would like to see that changed, and that will be a conversation I will be having with NCOIL leadership. But to that point, I am frustrated that a delay is happening with the vote today because some people came at the last minute with concerns. I can appreciate that the concerns may be legitimate but as Chair of this committee, I would have appreciated, and I think that other legislators here would have appreciated, that those concerns be brought earlier. I understand in some cases it's not possible because those issues don't come up until the last minute and at that point, it becomes important for a good policymaker to fall back on processes. So I've determined that because the process has traditionally been three meetings, that's what we're going to follow. I will be frustrated if there's not good faith conversations between interested parties between now and when that vote happens. And if at the end of the day, we've decided to go by the process because that's the way we've always done it, that isn't always the right reason to do something. But for lack of a better process that I can fall back on, that's what we're doing today. But I wanted everyone here

to know that I would like to see our organization be more communicative about the process that we expect ourselves to operate by.

Rep. Pollock, sponsor of the Model, stated that this Model was introduced at the last NCOIL meeting in July and 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. This is a consumer protection piece of legislation. Its language and its core value is addressing the assignment of benefits issues that we have. Kentucky is a no deductible on auto glass state so in Kentucky it's going to be a little bit different on the service side of things. But each state deals with how they deal with their deductible and how the servicing end of it should appear. Nothing has changed in the Model since it was introduced but as Rep. Bennett said, consistency is what we're going to stand on today.

Mr. Cotto thanked the Committee for the opportunity to speak and stated that being from Kentucky, I am thrilled to enjoy the consumer protections brought by this Model in my home state. In brief, consumers around the country should enjoy the same. Many of you know that I spend most of my time traveling around the country talking about cars and all the external factors that drive auto insurance costs. Part of what drives that is the challenges around repairs and fraud, both of which this Model helps us address. On behalf of NAMIC members, we are happy to continue our support of this and partner with the National Insurance Crime Bureau (NICB) on all of their efforts and we encourage you to vote yes on it today. I understand there are process questions, but that would be our position and recommendation.

Eric DeCampos, Senior Director of Gov't Affairs at 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 and our member insurance companies to detect, prevent, and deter insurance crimes. I'm here today to speak in support of the Model. This is a very important model that will provide critical consumer protections as well as important tools that will help fraud fighters detect, prevent, and deter insurance fraud related to vehicle glass repairs and replacements. And just a few examples of some of the important consumer protections that we see here in this model include prohibiting financial inducements, the elimination of assignment of benefits, as well as guardrails around recalibrations for advanced driver assistance systems (ADAS), those very costly and tiny sensors in your windshield, as well as guardrails around claims involving motor vehicle glass repairs and replacements. I really want to emphasize that this model is the product of communication, negotiations, and consensus across a variety of industries that have a stake in this issue. And with that said, I strongly urge this committee to move forward with adopting this incredibly important model, at the appropriate time.

Tom Tucker, Vice President of Legislative Affairs for Safelite Auto Group thanked the Committee for the opportunity to speak and stated that Safelite worked with Rep. Pollock to bring this Model to NCOIL. This model has been passed in three states across the country: Florida, Maryland, and Kentucky this year, and it has already been stated this is sound public policy. It's good for consumers. It prohibits inducements, and the assignment of benefits issue that Rep. Pollack talked about is critical. And we have no concerns about any of these issues. As a matter of fact, we're in lockstep with our insurance partners. However, because of some late minute changes in our company and changes in the industry, we have some concerns on the notification provisions as many of our consumers and many glass customers nationwide don't come in person, it's online. So, we have a digital component and so some of the language that we have concerns with is technical in nature but overall, we are wholeheartedly supportive of this legislation, which is why we worked with Rep. Pollock to bring it to NCOIL. We certainly understand and respect the process. We certainly did not mean to come at the last minute

asking for a delay. With our insurance partners, we certainly recognize we want this in the states this year. We want it as it's good public policy. I call this the three-legged stool. It's combating glass fraud. It's consumer notification for ADAS, which is critically important. And it's sound public policy. But I would close with this. We're all talking about the model, but the focus is really about the consumer, your constituents, our insurance partners, their clients, and our customers. And from a technical nature, there's some things in the model which are very minor, but we would like just a little bit of time to address them. That would make this model, which is already very good, better. Again, we apologize for coming at this very late hour. This is certainly not what we have intended but we remain committed to working with all of the partners at this table. We think that what we will propose will have no impact on our insurance partners. They will agree with it wholeheartedly. It's really about the technical nature of how to give the notice and what the repair looks like. And Rep. Bennett, regarding your opening comments about process, we couldn't be more in agreement with you and this is just the nature of it as sometimes things happen at the last minute, and we certainly regret coming to the committee at this late hour.

Sen. George Lang (OH) stated that with all respect to Rep. Bennett and to Safelite, I strongly disagree. I think we should always put good policy over process.

Rep. Bennett thanked everyone for their comments and stated that we all share a view that the consumer is the center of all of this and I am going to make a lot of effort to make this vote on the Model happen as soon as possible.

#### ADJOURNMENT

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