NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
INTERIM COMMITTEE MEETING – FEBRUARY 14, 2025
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee held an interim meeting via Zoom on Friday, February 14, 2025 at 1:00 P.M. (EST)

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

Other members of the Committee present were:

Rep. Rita Mayfield (IL)
Rep. Peggy Mayfield (IN)
Rep. Michael Sarge Pollock (KY)
Rep. John Illg (LA)
Rep. Edmond Jordan (LA)
Rep. Brenda Carter (MI)
Sen. Lana Theis (MI)
Sen. Paul Utke (MN)
Rep. Brian Lampton (OH)
Rep. Bob Titus (MO)

Other legislators present were:

Rep. Laurin Hendrix (AZ)
Rep. Erika Hancock (KY)
Rep. Ellyn Hefner (OK)
Sen. Mary Cavanagh (MI)
Asm. Jake Blumencranz (NY)
Asm. David Weprin (NY)
Rep. David Zimmermann (PA)
Rep. Barbara Dittrich (WI)

Also in attendance were:

Will Melofchik, NCOIL CEO
Anne Kennedy, NCOIL General Counsel
Pat Gilbert, Director of Policy, Administration & Member Services, NCOIL Support Services, LLC

QUORUM

Upon a Motion made by Sen. Paul Utke (MN), NCOIL Vice President, (IN) and seconded by Rep. Brian Lampton (OH), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

INTRODUCTORY REMARKS: CHAIR BENNETT

Rep. Bennett thanked everyone for joining and stated that it’s great to chair NCOIL's first official meeting of the year. We have two model laws on the agenda, the first being the Motor Vehicle Glass Model Act, and the second being the Online Marketplace Guarantees Model. We are going to take final comments today on the Motor Vehicles Glass Model and vote on its adoption. There will not be any action taken on the Online Marketplace Guarantees Model, just a continued discussion in an effort to hear an update on things. As I understand, there have been additional conversations on that Model since our last meeting, and I want everybody to be brought up to date on those things. And then, finally, we'll have a presentation and a discussion on a topic that I know is probably on everyone's mind still, and that's the California wildfires and the intersection of insurance there.

CONTINUED DISCUSSION AND CONSIDERATION OF NCOIL MOTOR VEHICLE GLASS MODEL ACT

Rep. Bennett stated that we'll begin with the continued discussion and the consideration of the NCOIL Motor Vehicle Glass Model Act. For those of you who were at our last meeting in San Antonio, you may recall there was a lot of discussion about whether or not we were going to have a vote on that Model. Ultimately, I learned what the processes were and decided to not have a vote. I was back and forth on whether to have a vote on it up to and during the meeting, but I think it ended up great because I know that there were additional conversations had between then and now. The latest version of the Model has been distributed and posted on the website. Before we go any further, I'll turn things over to the sponsor of the Model, Rep. Michael Sarge Pollock (KY).

Rep. Pollock stated that as noted, we were close to voting on this at our last meeting but in an abundance of caution and in an effort to have the Model be the best it can be the Model was held to address some concerns. And I agree that it did end up being for the best that we didn't vote on it then, as we've had several conversations with interested parties since then and I really appreciate those interested parties and the conversations that we continued after our November meeting. And we were able to come to an agreement on an improved version of the Model. Nothing major has changed, rather some clarifications have been made. One of them is including a definition of the term "notice." The second is to make some small changes to what the motor vehicle glass repair shop is required to notify the insured of. And then third, some tweaks of some things related to providing the insurer certain items such as invoices, estimates, receipts, and notice about calibration of driver assistance systems. As I've mentioned before, this Model is based on a law we recently passed here 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. Above all, this is a consumer protection piece of legislation, and I trust that the committee will support it.

Hilary 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 Rep. Pollock and all of the parties that have been involved in getting the Model to where it is. We strongly support it, and we're happy where it has ended up.

Eric DeCampos, Senior Director of Gov't Affairs at the National Insurance Crime Bureau (NICB) thanked the Committee for the opportunity to speak and stated that NICB strongly supports this Model. We thank Rep. Pollack for bringing this forward and thank everybody for their part in getting this Model to where it needs to be. And I want to echo Rep. Pollock's comments that this is an important Model for the purpose of consumer protection. It will help protect consumers from bad actors and provide additional tools to combat insurance fraud in the auto insurance space.

Tom Tucker, AVP for Legislative Affairs for Safelite, thanked the Committee for extending the time for us to work on this Model. As I stated in November, the purpose of asking for the additional time was to make a good Model better. What we think we've come up with is an extraordinarily better piece of public policy that we all should be proud of and we just want to say thank you to all the stakeholders who participated, and we look forward to the vote and supporting NCOIL in the future.

Upon a Motion made by Rep. Bennett and seconded by Sen. Utke, the Committee voted without objection by way of a voice vote to adopt the Model. Rep. Bennett thanked everyone and stated that the Model will now be placed on the Executive Committee's agenda in Charleston for final ratification.

CONTINUED DISCUSSION ON NCOIL ONLINE MARKETPLACE GUARANTEES MODEL ACT

Rep. Bennett stated that the next topic on our agenda is a continued discussion on the Online Marketplace Guarantees Model Act. We've been having a lot of good discussions on this Model for about a year now, and there was some discussion about possibly voting on it during our last meeting in San Antonio, but it was pretty clear as the meeting went on that more discussions needed to be held. We are not voting on the Model today, but we are here to continue the discussion and hear a quick update. I'll turn it over now to Rep. Brian Lampton (OH), the sponsor of the Model.

Rep. Lampton stated that as mentioned, we have had a lot of conversations on this since it was first introduced. I want to thank everyone for their input. We have received some good feedback from everyone involved and hopefully we can get this to a point to where something can be agreed upon, I think we're working towards that end.

The question of whether or not the guarantee is insurance keeps coming up and I asked for a copy of the guarantee and I was looking at it and comparing it to the physical damage waiver that rental car agencies offer, and they looked very similar to me. And I know that the damage waiver at a rental car agency is not insurance or not regulated as such, I am encouraged by the willingness of all interested parties to continue to work together and trying to see if we can get something that we can agree on.

Rep. Bennett thanked Rep. Lampton and stated that I know this has been a complicated issue and I appreciate everybody that's weighed in. I'm hopeful that an agreement between the two sides can be reached, and I've maintained throughout the process that I'm happy to consider making changes to the Model.

Brad Nail of Converge Public Strategies, on behalf of Airbnb, thanked the Committee for the opportunity to speak and stated that just a quick reminder on what the Model addresses. It's based on prior NCOIL and National Association of Insurance Commissioners (NAIC) Models. It defines an online marketplace guarantee, and it's limited to three-party transactions, limited to situations where the guarantee being provided as ancillary to the primary business, so it's not someone who's conducting a business in this area. It requires registration with the state so that appropriate regulators can confirm that the guarantee meets the requirements under the law. It requires that the online platform have the financial wherewithal to satisfy obligations under the guarantee, including by purchasing a reimbursement insurance policy. It clarifies that administering a guarantee under these conditions does not constitute the transaction of insurance, and it contains numerous consumer protection provisions around disclosure and communications. Following the November meeting, we've had calls with and sent emails to both APCIA and the National Association of Mutual Insurance Companies (NAMIC), and we've offered some alternative language for their consideration to try to address some of their concerns. I think the best logical way forward is for the three of us to get together at the same time for a session to hash out what would hopefully be final language. I know NAMIC replied yes to this. APCIA has in the past expressed a similar willingness and I think that there are some items that we can address to give them and their members comfort that the Model doesn't go too far, that it captures acceptable guarantee activity and makes that the standard in statute and that it thereby discourages and outlaws questionable activity. I think we can accomplish that with everyone working in good faith. We're aware of the letter that was written by the Wisconsin Department of Insurance on this issue and we're reaching out now to try to schedule a meeting with them where we can review our program, review the model language, and I believe that we'll be able to alleviate their concerns. We've met with a number of insurance departments over the past year to discuss this and have had good substantive reviews of laws and contracts currently in place and the prospective model law.

Ms. Segura stated that as Rep. Lampton said, we have had some conversations with him regarding where our concerns lay, and we've had conversations with Mr. Nail who did send us some information which was helpful, so I appreciate that very much. And I noted to Mr. Nail in response to his e-mail that it would be good to schedule a joint call perhaps with Rep. Lampton as well. Since San Antonio, we have worked closely with NAMIC and have held some joint industry calls to go through the Model in depth and try to lay out where our specific concerns are. The overarching comments that we've received from the industry are that the Model as drafted is too vague and too broad and it allows for the creation of the online marketplace guarantee but doesn't really provide rules or guidelines that providers of other products that do very similar things are subject to. Many state laws do provide an exception to insurance regulation for products offered as incidental to a business transaction, but we feel that the Model as drafted has application way beyond just incidental at this point.

Many personal lines insurers already offer home sharing endorsements for hosts, and presumably these guarantees would have coverages, exclusions, and conditions that would be like insurance but would not have any of the regulatory oversight or restrictions present in the insurance context. The guarantee itself right now contains all of the tenants of insurance, but without any of the regulation. We are concerned that the Model creates an unlevel playing field, as well as potentially leaving platform users and consumers without necessary protections that they are being promised. I look forward to continuing conversations with Rep. Lampton, Airbnb, and NAMIC, and we'll continue to see if there are ways to tighten up the language in this Model moving forward.

Matt Overturf, Assistant VP of State Affairs, Ohio Valley, at NAMIC, stated that I agree with Ms. Segura's statements We've had several conversations since San Antonio with Rep. Lampton and Airbnb and our members and the broader industry. We've had a lot of good discussions, and we look forward to the additional meetings that we're looking to have here to react to language and see where we can land.

Rep. Lampton thanked everyone for continuing to be open to discussing things and seeing what we can do to get us all in a place of being okay with this. I hope we can all arrange a meeting soon to go over these items and ask APCIA and NAMIC for some ideas and specific language and see if we can get ready for Charleston.

PRESENTATION ON AFTERMATH OF CALIFORNIA WILDFIRES

Rep. Bennett stated that the last thing on the agenda, is a presentation and discussion on the aftermath of the California wildfires. As you know, wildfires hit California in January, and the devastation is pretty unfathomable. And for the purposes of our meeting today, insurance was in the news almost as much as the fires themselves. My wife's employer lost an entire warehouse full of stuff, which pales in comparison to the losses some folks have experienced, but it's just an anecdotal example of how far reaching these fires can be. Some estimates put the insurance losses anywhere between $20 billion to $45 billion. And we know that behind every one of those dollars is a pretty difficult story. And as insurance legislators, I think gaining an understanding of what happened in California can be helpful when any of us have to deal with natural disasters that have happened in our states. In Oklahoma, we've had tornadoes, fires, and earthquakes.

Sean Kevelighan, CEO of the Insurance Information Institute (III), thanked the Committee for the opportunity to speak and stated that I'd like to share very quickly kind of an overview of what's happening in California as it relates to the insurance market. One of the things that is important, I think, too, is to let you all know if you're not familiar with the III, we have a lot of information on the insurance market, and we've been around for over 70 years as an organization. We were founded by insurance carriers to be a trusted source of information. We try to serve a broad audience of policymakers, consumers, industry professionals, as well as the media. And your comments about the media covering insurance more and more is absolutely right. In fact, last year, III set a record with 22,000 media citations about the industry. So, there is a lot happening in our world in and around risk and that's what the III strives to do. We're a little unique as an organization. We do primarily research and communications work. We don't do any direct lobbying. I've been one in my career, so there's nothing against it, but III is not a lobbying organization. We don't sell insurance directly either. In terms of what's going on in California what we try and say at III is this is when the industry kicks in as the financial first responder. A key message for us right now as we're speaking with the media day in and day out, several times a day, is we want the consumers to understand they need to talk with their insurance professional, get a hold of them, help them understand, get an understanding of what's available to them on such things as additional living expenses, getting out immediate payments for non-inventory items, and getting assistance with your inventory.

All of these things are happening right now. The California Department of Insurance actually released yesterday that about $6.9 billion in claims have been paid thus far. So, there is a lot of good work going on, but also equally important to understand, and I think this group probably knows it, there is capital on hand. This industry strives to make sure that it has adequate solvency in place to manage risk. This is what we've been doing for the 300-year-old history of the industry. So, a lot of that you can see in the industry's policyholder surplus, which is spread throughout the 56 insurance jurisdictions, but is right around $1 dollars for private insurers - having that capital on hand to make sure those promises are kept is critical. The state also has, and there are several states with them, a FAIR plan that when a person cannot find insurance through the traditional marketplace, a FAIR plan is set up to get that insurance. And that is a very solvent plan as well. In fact, there was an announcement that they're going to issue a $1 billion dollar assessment to the FAIR plan. Assessments are a tactic that you will see because most FAIR plans in other states don't keep the surplus on hand like a private insurer might, but they do have the assessment process in order to get more capital if needed. This happened in Florida, for example, in 2004 and 2005 when we saw record hurricane activity in that state. And then even on top of that, we've got the guaranty fund system. So in the unlikely area where we might see an insolvency of an insurance company, there's a program in place to make sure that those policyholders with insurance, their benefits and claims are paid.

What I wanted to do with you all is also just step back a little bit, because I think it's important to understand the homeowners insurance market and what's been happening there, because I think all of you across the country can appreciate that we have seen and are talking about insurance and homeowners insurance rates increasing. So, I'd like to talk to you a little bit about what's been behind that in recent years, especially. What really happened in COVID when we had the lockdowns is we also locked down supply chains and when you lock down the supply chains, it increased replacement costs on things like construction materials, things that we need to pay the claims. This illustration allows you to see through COVID primary years, 2019 through 2022, that inflation went up significantly related to insurance replacement costs. For homeowners in particular, over that three-year period, inflation replacement costs went up 55%. On average, the industry went up 40%. I think we can all agree that we saw remarkable inflation after COVID, but obviously you're seeing a significant inflation level happening there. So, what does that mean? As we have to increase, and nobody predicted the inflation rates where they were, as those prices increase, you've got to keep more capital on hand to make sure that you can pay those claims in the future.

And really what we have been seeing is the industry needing to catch up. It was a large inflationary hit. And so, they needed to begin charging more premiums and getting more premiums so that they could cover those costs in the future. We're beginning to see those inflation levels normalize. And this gives you an illustration coming out of COVID that you see in 2022, you've got over 9% inflation rates. But for the next couple of years, we're in and around the 3% more tolerable, more normal inflation rates.

What you're not seeing, though, are many negatives in this table. So, you're not going to see inflation reduced to the likes of 55%. You're just seeing, as I think we're all seeing across all prices, that things are more expensive, and replacement costs are that. So, we've got a new level, a new normal, if you will, of replacement costs. And so to give you an illustration of how the industry has reacted to all of this, you see two things on this chart.

The first bars illustrated are what we call the combined ratio which is simply the expenses that we pay out versus the premiums that you pay. As a business, you want to be profitable. You want to make sure that gets under 100. As you can tell on the far left and the far right, when we're normalizing what you're seeing the market do, even homeowners, it tends to be a combined ratio in the high nineties. It's just because the underwriting, for a variety of reasons, is challenging. And I'll show you some long-term illustrations of that. Insurers really don't make the majority of their profit on underwriting. They actually make it through their investments. So, part of that capital that is kept on hand has to be kept on hand for the long term. So, the investment income is actually more the primary source of where insurers see their profitability. And that investment income is usually more so, in our research, around fixed investments, safe things, again, so the capital can be kept on hand. And just to give you a longer-term sense of kind of how underwriting has been working over a longer period of time with homeowners insurance, you see the red bars there that indicate a negative or a low amount of profitability, and you see the green as eight of the 28 years that are illustrated here is where you actually saw the industry in a state of profitability as it relates specifically to underwriting.

So, again, just going back to this last one, as you see those combined ratios over 100, so there in 2023, you saw for every dollar of premium that was brought in, there was $1.10 paid out in expense. So, not a sustainable path. So, you're seeing that orange line creep up in order to catch up with the inflation levels. And now last year, we saw it really at an inflection point where things and costs begin to normalize, and therefore you're beginning to see the combined ratios go down as well as the premium growth go down. So, that's really the overall cycle, longer term. But inflation is not just what goes into the cost of insurance. Natural catastrophes, I think, as we all know, are also a big driver and we have seen a steady increase in natural catastrophe insurance losses. In fact, since the 1980s, loss levels have gone up ten times. We've set records in terms of insurance costs. Nine of the top ten record years have been in the 2000s. So, a lot goes into it. Catastrophe losses are a big way. You also, though, have a trend of just where people are living. So, the table there illustrates states that have large populations. Well, those states also have high degrees of catastrophes, Texas being the number one state in terms of population growth. Texas is vulnerable to every type of natural catastrophe, with the exception of volcanoes. Florida, obviously, has large hurricanes, and California, we're talking about here today. So you've got people more and more living in areas of harm's way. But beyond that as well, we've also got legal system abuse issue in this country where people are going to litigation as a first resort instead of a last. And we're seeing claims increase in this country significantly. We have a study out with the Casualty Actuarial Society (CAS) that shows claims related to auto, commercial auto, personal auto, for liability alone, just auto liability, in a ten-year span, went up $100 billion.

So, there's obviously normal inflation and natural catastrophe losses impacting those, but those are significant hikes. There are other things that factor into what we're seeing- regardless of how you feel about tariffs, they can drive up costs. And also, global geopolitical risks can drive up costs too. So, there's a variety of circumstances in what the industry has called a hard market, where we're seeing prices having to go up to match the level of risk. The one thing I like to say is insurance is a reflection of the level of risk. It is not the cause. So, very quickly into California and what's been happening there. This chart, and we put this together with our peer group, the Insurance Research Council (IRC), really just illustrates the price of insurance in comparison with median income. And this is a state-by-state comparison. So, you've got on the far left there, Utah, with less than 1% of the overall median income of insurance payments going there. Whereas you go to Louisiana and Florida, and you're getting 4% of that. What you see in this slide is California, and California is below average right now in its insurance costs for homeowners insurance. We would argue, though, that that is artificially low. It has been made artificially low because of regulatory restrictions that up until this year have been challenging for decades in the state in terms of being able to price the insurance in reflection to the level of risk in that state. And in fact, what's happened is when you compound the fires that we see regularly, the restrictions that you have on the regulatory side of it, and then the inflation on top of it, this is why people have been calling California an insurance crisis. It is unique as a state on the regulatory side. And again, this has changed, so we've got a new regulatory reform, a sustainable insurance strategy that is pointing things in the right direction. But since the 1980s we've had something in California called Proposition 103 that doesn't allow you to include reinsurance pricing in it. It didn't allow for modeling. And we'll put some research out here very soon with others that can really show you just how well modeling can work in managing risk and pricing risk. So, we need to have that in modern day.

And then the other part of it was being able to adjust insurance prices for times like we've seen of late with large inflationary levels or large catastrophe losses. In recent years up until this year, we didn't see a lot of wildfire activity in California but you go to 2017 and 2018, and you saw significant record years where the combined ratio was well over 200% after those record years. And so that then has created an average combined ratio in the state of California for homeowners insurance average of 120%. So, 20 cents paid out over the dollar that's paid through the premiums. So, we have seen the reform happen. Unfortunately, it's been harder to get the rate that they needed because the regulatory system wouldn't really allow you to go over a 7% increase without going through what I would consider an arduous process. And so, the anecdotes you would hear is the filings were always around 6.9%. They would file for increases so that they didn't have to go through this consumer group process to get their rates approved. Everybody's seen the light in that things needed to change. Unfortunately, they're just starting to change now. And so, insurers had to make some decisions that they couldn't operate in a level of profitability in that state with the way that things were set up.

So, I think there's hope, but up until this point, January 2025, we didn't see the changes that we needed and had been calling for in the industry for some time.

But regardless of the restrictions in California, I think an important final message I want to leave with everybody is really around how and what our future depends on right now, because risks are increasing. And I think from our perspective, we've got to focus more on resilience. The insurance industry has been shifting from one that just detects and repairs after catastrophe to actually working with customers in ways to predict and prevent the catastrophes. They're happening. We know when they're happening. We know from data that they're happening in areas that are more prone. And there are ways to adapt. But the one key to understand when we're adapting and focusing on resilience is there's a large economic ecosystem that we need to bring together so that we understand and can apply really an economic value that drives people's behaviors to change and that we can manage both personal and community risk better.

So that means looking at how are we building, where are we building, how are we selling things? You really don't get a lot of risk management in the home purchasing process right now. It comes in entirely too late. What's being incentivized? Obviously, insurance is going to play a key role in all of this, but we've done research that shows that we need everybody to recognize that, again, this ecosystem of co-beneficiaries coming together and focusing on problems together that creates some sort of market incentive to drive more resilience. And we do have success. We have seen areas that have been successful in this. California is actually part of this wildfire prepared program right now where consumers can get certificates to illustrate the mitigation efforts that they have made to make their homes more resilient. California regulators mandate that if you do make yourself more resilient and make those changes that you could apply for discounts from your insurance company.

So, this is a type of program that we need because there are careful evaluations that go along with how a home needs to be prepared and it's a standard, it's a certification process, it's something that you're going to have more incentive to get the discounts, you'll have more people wanting to be certified in some way to become wildfire prepared.

And that's similar as well to what we saw and we're seeing in Alabama with their Strengthening Alabama Homes Initiative. This initiative is funded entirely by the insurance industry, but it's done in conjunction with the Department of Insurance and the University of Alabama. And essentially what it is, is you're allowing individuals to apply for a grant of up to $10,000 to mitigate risk, in particular wind risk coming from hurricanes in that area. And because it’s a public private partnership, and the III and Insurance Institute for Business and Home Safety (IBHS) are behind both of these programs and helping them happen, but because you've got a new way to become that Fortified standard, you've got contractors that want to be that way. The University of Alabama said that the home price increases about 7% after taking these mitigation efforts. So, there are successful programs in place and if you want a roadmap to how to build a program, the III and IBHS and the National Institute of Building Sciences set up just that, a roadmap, on how can you build a resilience program? How can you incentivize a marketplace in a community so that you build out and create more action and value to the resilience?

Joel Laucher, Program Specialist at United Policyholders, thanked the Committee for the opportunity to speak and stated that I want to talk about some things that you could do for your constituents by putting in place some relevant consumer protections and coverage issues that can be addressed through legislation in your states. I work for United Policyholders. We are a nonprofit that mainly has built its reputation assisting people through the claims process after a catastrophe. We have staff and volunteers in Los Angeles now helping people work through their rebuild process and their claims process. It's an overwhelming thing. I'm a former insurance regulator myself, 35 years with the California Department of Insurance. I was always pleased to see United Policyholders at an event really trusted by people throughout the state and throughout the country. We have people in Hawaii and Florida and Colorado as well. Wherever a catastrophe occurs, United Policyholders tries to pitch in and help any way it can. We have three programs. I'm going to talk about some legislative changes here. We do spend most of our time assisting consumers. If you go to our website, you can see we have ongoing survivor-to-survivor events to help deal with some of the emotional issues and financial issues that all come about after a catastrophic event.

I want to talk about some insurance coverage reforms that can make a big difference in how easily or how well people actually recover after a catastrophic event. And most of these provisions are now in place in California due to some of the recent catastrophes we've experienced and what we've learned from those catastrophic events. Some of these are more recent in some of our neighboring states that have had more recent events and now are starting to implement these same provisions and protections. And my purpose really in appearing here is that you adopt these changes to legislation. Certainly, it's easier to pass some of these provisions after a catastrophic event, and everybody's kind of in that mode of trying to help? But obviously, it's much more valuable for your constituents if you would spare them having to go through some of these same challenges that these changes in law can help them avoid. Things such as additional living expenses, extension of time to at least 24 months and six-month extensions beyond that - it doesn't change the additional living expense limit. It just allows the more time to collect it in recognition of how long a rebuild process takes. Rebuilds can take many years and the money would likely run out for your additional living expense coverage before that but understanding that it is a multi-year process and putting timeframes in place that recognize that are important.

Another essential change that you might consider is allowing insureds to use both their dwelling and other structure benefits in rebuilding the home. We find people are underinsured maybe 80% of the time after a catastrophe for many reasons. One part is the inflation that occurs after an event. You're going to need all of that coverage and more to rebuild. And another really important one is allowing consumers to take those dwelling benefits and instead build or buy elsewhere. It can be really many months just in debris removal process. Of course, there's finding contractors, , getting bids, getting in blueprints of what you want to build. It's a long process. A lot of times, people that suffer these losses are in their 60s, 70s, 80s. It is a very challenging thing for them to do and stay kind of in a temporary place in life while this occurs. Moving elsewhere and using those funds doesn't really cost the insurer any money. The payouts can come sooner, but it very much benefits your constituents, and it actually can end up with not ending up with sudden rebuilds in areas perhaps where there shouldn't be immediate rebuilds without consideration for changes in building codes and where rebuilding will actually be allowed to occur.

Another one is the process of collecting an inventory. I don't know if you're aware of how this works, but the standard approach is if you want to collect on your contents claim, you have to identify every item that you want to be reimbursed for, the date you bought it, the price you paid, the condition it was in at the time of loss. It is a huge inventory to put together. Obviously, if you've had a total loss, a means of being able to pay out some portion immediately right after the fire, and perhaps as much as the whole contents level at some point in time would spare the person of going through that painstaking list making that they have to do and recollection of things that they had. It would ease the whole claims process in terms of your own claims adjusters time and dedication to going through this. This is a real important benefit that can really spare people a lot of heartache of trying to list all the precious items that they had before the loss.

Again, common in many homeowners and renters and condominium policies are 12 months additional living expense. That really just won't cut it and you might not even have debris removal cleared after 12 months. I know in our Paradise Fire in 2018, debris removal was nine months right there and it wasn't as wide scale in terms of the number of homes as we just experienced here in California. Twenty-four months is kind of a minimum that additional living expense should be allowed. Again, that doesn't change the limit but it recognizes all these issues that come into play about debris removal, permitting processes, getting building plans approved, finding contractors to build what's approved. It is a long process. Some insurers have been generous enough to do things that they weren't required to do, such as allowing people to purchase and recreational vehicle or fifth wheel. Sometimes people are able to put those on their home site and in that way be able to kind of manage the rebuild process and be close by and not have to find a rental that might be 50 miles from their home site that they're rebuilding at and trying to work that building process while living far away. So there's lots of ways that you can make this an easier process and make that insurance contract respond to the realities of rebuilding.

I mentioned buying elsewhere. That speeds up people's ability to get on with their lives. Typically, there might be responsibilities like paying off a mortgage, that type of thing. Of course, that has to be dealt with, but it really kind of eases the personal burden on people. People with kids who need to put them in a school might need to move to an area that has a standing school. And as I mentioned, retirees may not be able to deal with the whole construction process. It is a major benefit to be able to move elsewhere with those recovery dollars.   And one of the major benefits is reducing the trauma. Back to that inventory process, it's time consuming. People have many other things that they need to focus on after a loss. So, putting together an inventory is just a lot to ask. In most cases, they're going to use actually a lot of their contents money towards the rebuild, and generally speaking, people ultimately get the full payout so why not just max them out without going through that process, saving everybody time. We do have a protection in California that I hope that you would consider for your states which is to have a bulk listing of items. So, things like silverware and books - you don't have to identify every title and author of each book that you want to claim. , We assume you had these or it makes sense that you would have had this much of that type of item and just pay it out without a grinding item by item listing. It saves a lot of time for your adjusters. Oftentimes, insurers are using outside adjusters to handle these claims and obviously, the costs are high if you're spending hours and hours going over each detail of every individual's claim. so you can save money on this process as well since you're likely going to get to the same outcome at the end.

In California and now in other states, we do have mandatory payouts of an immediate percentage of the additional living expense. We know that people are immediately homeless, essentially, after these events. They need to find a place to live. Inflation commonly occurs for the available rental market in the area of a catastrophe. There's typically a down payment of one or multiple months towards any rental. so you really want to give people a jumpstart on their additional living expense benefits as soon as possible. Also, building codes change. It's essential that insureds have coverage for building code changes, typically at least 10%. I know in California; we have had many code changes that have significantly delayed rebuilding in even our very residential neighborhoods where we have had fires. And that is important to do because we do want to build back better and that requires changes in codes and we want to make sure whatever new homes are placed, they are going to be more safe and more sound to recognize their environment that we are placing those homes. And these things take time to get through the permit process, the construction process, so. understanding code upgrades is very important.

And just for those who are interested, here are some references to statutes and codes that you might want to implement. I hope you will. Again, something you could give to your constituents is to enact some of these preventions in anticipation of future catastrophe events, not post event where you are having people go through these same challenges before you put these protections in place. Again, I want to remind you, please check us out at uphelp.org. We have lots of information to help people go through claims processes and rebuilding process, and we're here 100% for policyholders when they need us.

Jeff Klein, Esq. of McIntyre Lemon, stated that I do work for the American Bankers Association (ABA) in their insurance operation, and I just wanted to make two comments. This is an all hands-on deck issue. NCOIL was kind enough to pass a resolution at the last meeting in favor of disaster savings accounts so we're pursuing that with Rep. Ellyn Hefner in Oklahoma, and in California and elsewhere. So that'll be one small tool in the toolbox to help people manage their costs. We've talked to United Policyholders about it. And I think secondly, a group that we've become familiar with that may have reached out to NCOIL previously is Fortress Fire out of California, which has a very interesting scientific wildfire assessment product and set of services and they did a presentation at the NAIC recently and they may be willing to do a future presentation at NCOIL.

Rep. Pollock thanked everyone for their comments and stated that I just want to give congratulate Rep. Bennett and Rep. Jim Dunnigan (UT), NCOIL Secretary, who primarily sponsored the NCOIL Strengthen Homes Program Model Act that we adopted last year. I believe Mr. Kevelighan referenced that concept so I just wanted to echo that and let him know that NCOIL is hearing him, and we're adopting policy that I think hopefully will help so I just wanted to recognize that work that NCOIL's doing

Mr. Kevelighan stated yes, that is good work and the state of Alabama is seeing the effects of that good work as well. It has more Fortified roofs in that state than any other in the country. The insurance market, in comparison to some other neighboring states, is in a very different place. So you're absolutely right and I appreciate the good work and that's why I used it as an example. These are the types of things that is a true showing of how you can create a marketplace incentive that provides resilience across the board.

Rep. Pollock stated that I was primary sponsor of that legislation in Kentucky which did pass, and now Rep. Dunnigan has created that Model for all of us across the country. Thank you for your input today and it's important that we look at good policy and good Models to look at these situations we're dealing with.

Rep. Bennett thanked Rep. Pollock and stated that Oklahoma also passed the Strengthen Homes Program.

Mr. Laucher stated that I would just like to mention that in California, we do have mandated discounts insurers have to provide for what's called our Safer from Wildfires set of mitigations. They're almost identical to the IBHS wildfire prepared home mitigation standards. It's very important to us to rebuild with more resilient homes than our current stock.

Mr. Kevelighan stated that it's interesting on the discounts - discounts are a part of these programs and this is part of the research we did with the National Institute of Building Sciences is that it's still a part and there needs to be a more comprehensive look at how to make communities more resilient. And the sponsor of that study was Fannie Mae so that they could understand how to improve the financing process, too. There's a whole ecosystem here that if we can figure out ways to incentivize it, it can work really well. If you look at another program like Leadership in Energy and Environmental Design (LEED), for example, that is a program where you've got builders and developers wanting to be doing it. You've got sellers wanting to sell it, people wanting to occupy LEEDS buildings. That's a way I would like us to start thinking about resilience as well. And I see that Rep. Rita Mayfield (IL) has a question in the chat, and it's a good one because we get this often, which is, are California losses going to be spread to the other states? And the immediate answer is no. Ss much as I told you about policyholder surplus being a national number, the 56 jurisdictions control their own insurance and their own rates. So those rates are approved hand in hand with the regulator, and it makes sure that they are reflective of the individual state's risk levels.

Rep. Mayfield stated I have another question for Mr. Laucher. I live in a flood zone. Luckily my house doesn't flood but if you go three streets over, you get whole streets that turn into lakes, and anybody can live anywhere that they want however they flood every single year. You see the fire trucks there pumping these houses out and obviously the insurance company is paying out so at what point does this affect everybody else because the payouts do affect rates across the board. At what point do we say we're not going to pay out,, this is the value of your home today, this is what we're going to pay you, we're not going to give you the money to rebuild again because we've given you this money five, six, seven times and this is for areas whether it's tornado prone, fire prone or whatever - at some point something has to give and we say we're just not going to do these replacement costs. Because you're absolutely right the numbers are just going through the roof with the building materials and everything else. And I don't really think that's fair to all of the other individuals that are in that insurance pool to have to keep paying for these same individuals over and over again. Is there any conversation around that? Has anybody looked at that?

Mr. Laucher stated that we had a CZU fire in California a few years back. That's the Santa Cruz Mountains near the coast south of San Francisco. Because of the building codes put in place for a new building in that area, a lot of the homes weren't rebuilt. Some of the sites that they were located on were deemed not rebuildable. There are new code restrictions on where you can build and when you can build but generally speaking, an insurer owes the payout if it insured the home at the time of loss so there's no question of whether it has to give the payout. The question is really just about the underwriting standards that the insurer uses and whether they're going to choose to continue to offer coverage in certain areas that are higher risk and that clearly has been changing here in California. Insurers have done a lot of non-renewals in areas that they deem as higher wildfire risk. It's one of the reasons that our FAIR plan has increased so dramatically in numbers of policies. I think this actually aligns with some points made earlier that we're going to really be taking into consideration the insurability of where we build and how we build because as premiums escalate, this becomes something that just isn't a minor consideration in the process. It becomes essential that you need to have insurance, and it needs to be affordable so, the only way to do that is to reduce losses or build in a way that reduces the likelihood of losses. And I think we're all on that path. The challenge is we're in a built-out environment of many years that didn't necessarily make all those considerations, and those homes are having challenges finding coverage or affording that coverage. And, again, that’s why we have a FAIR plan if you can't find coverage, but the FAIR plan is very expensive coverage. So it is the underwriting rules that determine if the insurer gets to choose whether it writes a home or not.

Mr. Keveliighan stated that I would add that anytime you have one of the FAIR plans that is the number one insurance provider in a state, it's usually an indicator of market issues, market troubles. In California's case, we went through the kind of regulatory issues that they had. In a state like Florida, they've had significant legal system abuse. Before they were reformed down in that state, the state of Florida had close to 80% of all homeowners litigation for the United States in that state. Those increase your risk as well. One time I actually encountered a realtor, and we were looking at a property and she said, “you're lucky you're on the side of the street that doesn't flood so you don't need to get flood insurance.” We actually have now done a handbook with the National Realtors Association so that realtors understand that they need to help their customers be more resilient because a realtor isn't selling that one home. They want to sell a lifetime of homes and in order to have a home for a lifetime, the area where it's building and where we're buying, needs to be sellable and survivable and insurable. So, you're absolutely right. And it's just things like the building codes, unfortunately, move at a glacial pace. And so that's why some of these strengthen home initiatives that thankfully NCOIL has been promoting, allows the constituents actually to retrofit which is one of the harder things to do is to spend the money to retrofit an existing property. That incentivization is going to be really critical to building community resilience.

Rep. Bennett stated to Mr. Laucher that in his presentation there were recommendations for coverage expansion in policies. Are there any carriers that are voluntarily adopting some of these things like the added additional living expense, because that sort of is a more competitive way of improving things for consumers, but also not doing so through sort of punitive measures from the state. As a Democrat in Oklahoma, I wish that we could do more consumer friendly stuff but I also see what happened in California and my Insurance Commissioner, Glen Mulready, has done a great job of helping me understand why there was a good spirit behind ideas there, it didn't end up being good. Are you seeing carriers voluntarily adopt this because it might make them more competitive? Or do you think it will require state regulation to get some of these policies updated?

Mr. Laucher stated that I was with the California Department of Insurance for 35 years and was sent out to assist with the claims process to many locations post wildfire. And many insurers had implemented the changes that I spoke about as part of expediting the process for people in these challenging situations. They weren't necessarily something they had implemented in their standards, but it was part of their response when they arrived at these locations, and you saw them writing checks for the contents payout. Or before it was allowed, we'll let you take your additional living expense and buy a motor home instead so that you can kind of oversee your rebuild process. A lot of this has happened and some of it's beneficial to the insurer. It just gets rid of the paperwork and the details that take up a lot of time. But it also is great customer relations. And insurers are all people and their claims adjusters are often people that live nearby the community where they are interacting. And, it doesn't take much when you visit one of these sites of a post-catastrophic event to make you want to do more or be better. And so I think a lot of insurers have responded to this. Most of these reforms that we have in place in California only got there because the industry accepted those provisions and worked with the legislators to do things they were willing to do.

Rep. Bennett thanked everyone for their comments and stated that the topic hits close to home for me. My childhood home caught fire several years ago. And while it didn't burn the whole place down, it was a total loss between smoke and fire damage and water damage. And because my parents had really good insurance coverage, I think that the most human thing that I can tell about that experience was while we are years later still realizing things that we lost in the fire, the most important thing for us was my mom was a really good scrapbook artist. She didn't just put pictures in a folder, she added art and really beautiful stuff. And we have a cabinet full of them. And they were all in the house and all because of a specific endorsement on the policy they were able to be restored by some experts here in Oklahoma City. And my mom now has dementia, and so she is losing her memory, but all of the memories that she created for us are protected now.

ANY OTHER BUSINESS

Hearing no other business raised, Rep. Bennett stated that I would like to remind everybody that registration is open for the Spring Meeting in Charleston. And also, if you were in San Antonio, you may recall there were a couple of announcements regarding upcoming NCOIL items. One is that NCOIL will be going through a strengths, weaknesses, opportunities, and threats (SWOT) exercise this year. And the other one relates to a handbook that's now being put together by NCOIL that memorializes and formalizes certain practices that NCOIL's has been following for the last several years that longer-term members know about but new members may not know about so that everyone who comes to NCOIL has a playbook to use and is fully aware of the processes. I think both of those are great ideas, and I'm glad they're happening, and you should be getting an email about that.

ADJOURNMENT

Hearing no further business, upon a Motion made by Rep. Mayfield and seconded by Sen. Utke, the Committee adjourned at 2:30 p.m.