

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
NCOIL-NAIC DIALOGUE COMMITTEE
2026 NCOIL SPRING MEETING – LOUISVILLE, KENTUCKY
APRIL 17, 2026
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) NCOIL – NAIC Dialogue Committee met at the Hyatt Regency Hotel in Louisville, KY on Friday, April 17, 2026 at 1:45 p.m.

Louisiana Representative Edmond Jordan, NCOIL Vice President and Co-Chair of the Committee, presided.

Other members of the Committee present were:

Rep. Stephen Meskers, CT	Sen. Paul Utke, MN
Rep. Matt Lehman, IN	Rep. Tim Barhorst, OH
Rep. Peggy Mayfield, IN	Rep. Meredith Craig, OH
Sen. Beverly Gossage, KS	Sen. Mark Mann, OK
Sen. Donald Douglas, KY	Rep. Ellyn Hefner, OK
Sen. Jason Howell, KY	Rep. Greg Scott, PA
Rep. Michael Sarge Pollock, KY	Rep. Tom Oliverson, TX
Rep. Brenda Carter, MI	Del. Walter Hall, WV
Sen. Lana Theis, MI	

Other legislators present were:

Sen. Rob Yundt, AK	Sen. Jeff Barta, ND
Sen. Jesse Bjorkman, AK	Sen. Jeffrey Klein, ND
Rep. Justin Wilmeth, AZ	Sen. Kristin Roers, ND
Rep. Brett Barker, IA	Sen. William Gannon, NH
Rep. Elizabeth Wilson, IA	Sen. Tim McGough, NH
Rep. Wendy Dant Chesser, IN	Rep. Julie Miles, NH
Rep. Craig Snow, IN	Rep. Kellie Deeter, OH
Rep. Adrielle Camuel, KY	Rep. Derrick Hall, OH
Rep. Mike Clines, KY	Rep. Perry Warren, PA
Rep. Mike Meredith, KY	Rep. Yusuf Hakeem, TN
Rep. Shaun Mena, LA	Rep. Matt Morgan, TX
Del. Mike Rogers, MD	Rep. Trey Wharton, TX
Sen. Mark Huizenga, MI	Sen. Cale Case, WY

Also in attendance were:

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

QUORUM

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

MINUTES

Upon a Motion made by Sen. Utke and seconded by Rep. Tom Oliverson, M.D. (TX), the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's November 14, 2025 meeting.

INTRODUCTORY REMARKS

Rep. Jordan thanked everyone for their participation and stated that I look forward to our organizations continuing to strengthen our relationship. When our organizations are able to work together, that ultimately benefits consumers and our state-based system of insurance regulation. I think last year was a great year in terms of our relationship improving and I look forward to another great year. He asked everyone to introduce themselves. Kentucky Commissioner Sharon Clarke; Washington Commissioner Patty Kuderer; Utah Commissioner and NAIC Vice President Jon Pike; and Oklahoma Commissioner Glen Mulready.

RECAP OF NAIC SPRING MEETING AND DISCUSSION ON NAIC 2026 PRIORITIES

Rep. Jordan stated that last month, the NAIC concluded its meeting in San Diego and as usual, there were many items discussed and actions taken that have a major impact on the insurance marketplace. We also understand that you set forth several priorities at both the state and federal level so we're going to ask you to touch on some of the highlights from your spring meeting and discuss your priorities for this year.

Cmsr. Pike stated that we appreciate the great collaboration that we have with NCOIL. It's a great relationship with great opportunities. The NAIC spring meeting was very productive. We focused on modernization, resilience, and consumer protection across the various insurance markets. We continue to prioritize strengthening market resilience, particularly around catastrophic risk, enhancing transparency and oversight of investments, data security, and artificial intelligence (AI). We also focused on protecting consumers while maintaining competitive markets. We know we need to be able to accomplish both. I will now share a few key developments in terms of market conduct and our what we call our market regulation and consumer affairs committee (D committee). The D Committee will be undertaking a holistic review of the market conduct framework to assess whether we have the appropriate data, tools, and supervisory approaches that are needed to oversee a rapidly evolving insurance marketplace. It's what we're calling our market conduct modernization effort.

The second big thing is the NAIC's homeowners market data call. The NAIC issued its nationwide homeowners market data call in March to better understand pricing, availability and coverage trends at the zip code level. This data will be the most comprehensive collection of homeowners insurance data to date. Regarding our strategic priorities for the year, capital and investment oversight is a big priority. Enhancing capital and investment frameworks to ensure insurer solvency to protect policyholders. This effort includes such things as modernizing our risk-based capital (RBC) framework, implementing asset adequacy testing for asset intensive reinsurance, strengthening oversight of complex investments and improving transparency and reporting. Beginning this year, insurers will be reporting more granular data on private credit holdings, and regulators will be expanding macro prudential monitoring and stress testing. As for data and analytics, we will be expanding NAIC's role as a data and analytics hub to improve early risk detection and market monitoring, as well as establishing more proactive regulatory oversight through data calls, dashboards and surveys. Then as to resilience and catastrophic risk, the NAIC will be strengthening its efforts to address growing disaster risks through improved modeling and risk mitigation and I'm sure we'll be doing a fair bit of coordination with

NCOIL and with federal partners as well to close protection gaps. And then finally, another one of our priorities is AI innovation and cybersecurity.

The NAIC has a few federal priorities that I'd like to highlight and probably find some commonality there with you all on the concern about community resilience and market stability. First, we will be advocating for mitigation funding. In fact, there's even a bill currently on the federal docket that is bipartisan. We don't know if it's going to get legs this year, but we align with the federal bill and we'll be working with them so we're excited about that in terms of Federal mitigation and anything as it relates to that and we hope we can tie into tax issues as well to make sure there is tax parity for state funded mitigation grants as well. Then there is the goal of preventing federal overreach. There are a number of areas we hope to address, including the Treasury Department. We're hoping to replace the Federal Insurance Office (FIO) with a focused international insurance role within the Treasury Department. And in fact, the specific legislation for that is called the McCarran-Ferguson Restoration Act and I think we share a commonality there of really believing that we need to protect state sovereignty in this area. In fact, I love the phrase that I used to use when I was an elected mayor in Utah, which was "one size misfits all". We think that it's fantastic to have 56 U.S. jurisdictions acting as laboratories where we can get it right, hopefully at the local level, and learn from each other. You can't do that if it's all at the federal level. And I really do believe one size misfits all. And that's the beauty of McCarran-Ferguson and trying to keep it that way. We'll also be working to ensure that the FSOC (Financial Stability Oversight Council) consults with state regulators before implementing enhanced supervision and that's under what's called the Financial Stability Oversight Council Improvement Act. Another federal initiative relates to strengthening protections for policyholders and seniors, including prioritizing their claims in insurer insolvencies and that is behind the State Insurance Receivership Priority Act. The NAIC also supports federal support of state enforcement efforts to combat financial exploitation of seniors. Senior protection is behind the Empowering States to Protect Seniors from Bad Actors Act.

Now we will discuss some health insurance related Federal priorities. Extending enhanced ACA tax credits to stabilize premiums and protect access to coverage remains one of our priorities. Coordinating with state regulators on long term reforms to minimize market disruption is important. We keep working on authorizing state enforcement of Federal Medicare Advantage rules. We don't know how much control we are going to get, but we'd like to strengthen marketing practices, network adequacy, and information sharing requirements to improve accountability. Again, I think states are the boots on the ground and can more adequately be able to enforce those kinds of things. We'll see and continue to push for these changes. And we think it is time to fully and timely fund State Health Insurance Assistant Programs (SHIPs) and mental health parity grants to support consumer assistance and program administration.

Rep. Tim Barhorst (OH) stated that I believe the basis of McCarran-Ferguson is solid with state rights as the top of the priority. Are there any other issues within McCarran-Ferguson that we could touch that would improve some of the current systems, particularly in the healthcare field? The Commerce Clause pretty much ruined a lot of things we could have improved on in our healthcare system and I think if we're going to look at McCarran-Ferguson, we should consider some items in that coverage line.

Cmsr. Mulready stated that I will highlight something more from a pushback standpoint. Cmsr. Pike talked about State enforcement of Federal Medicare Advantage plans. That's something that we've seen a lot of activity on at the NAIC and by that I mean there are some states, Idaho and Oklahoma specifically, who have taken a step many would say, including the Centers for Medicare and Medicaid Services (CMS), is a step beyond our authority. But that's been very

purposeful. In that situation, Idaho got sued over it. Oklahoma has not yet been sued over that, but for us it was about let's generate more conversation and how can we give more authority to the states on Medicare Advantage plans. Because when there is a problem with Medicare Advantage, we get the call from consumers and we send the consumer to CMS where the issue goes into a black hole and it's super frustrating for every insurance department in the country. And so, we're pushing back on that inaction. And I will say this, although there's been no real changes right now, there has been a lot of substantive conversations. A couple weeks ago CMS took a call with five of the states that had been pushing back, and we had a productive conversation. Better yet, folks from CMS were at the NAIC's most recent national meeting. We've never seen CMS in that role just to interact and so the positive outcome of that is a lot more conversations and regular calls. And so, where we end up on that I'm not exactly sure, but that's been one particular focus point we have pushed on.

Rep. Brenda Carter (MI), NCOIL Secretary, stated as artificial intelligence (AI) continues to expand, where do you as regulators see the line between innovation and needed guardrails? Rep. Jordan stated that AI is the next topic on the agenda so we will handle another question first.

Rep. Matt Lehman (IN) stated that you were talking about resiliency and I think the NAIC is looking at a model law similar to the NCOIL Strengthen Homes Program Model Law we adopted in 2024. Are those models going to be coordinated? I don't want to see conflicting models, and several states have already adopted the NCOIL model. Cmsr. Pike stated absolutely and I certainly have some affinity for that program because it was sponsored by Rep. Jim Dunnigan (UT), NCOIL Treasurer. Certainly we are looking to create a model law there, but we will absolutely be using the NCOIL model as a starting place and I think that's a good point. Cmsr. Mulready stated that as Vice Chair of the NAIC C Committee, the mitigation model act is something that we hope to, in NAIC terms, fast track. Because that model has already been set and has already been established in so many states and they are not very different. We're hoping to put out a draft for public comment, and we hope to vote on it by the end of the year. Cmsr. Pike stated that states are moving along on mitigation. In fact, my own state, we are looking at the model right now. I am hoping to talk about it in our interim legislative session and use Rep. Dunnigan's model for conversations.

Rep. Stephen Meskers (CT) asked just how comfortable are you with the guaranty funds currently as it relates to cybersecurity? Are we using the right measurements to reserve against those potential losses? Cmsr. Pike stated that the NAIC has other commissioners that are experts on that issue but it certainly is a concern. Rep. Meskers stated that it just raises a lot of concerns about how we measure risk factors and I just don't know what liabilities we're measuring and I hope carriers can do it adequately. Cmsr. Pike stated that I don't know that we have all the answers yet on cyber, but it's definitely part of the discussion.

Cmsr. Mulready stated that going back to mitigation, something that the NAIC could use your help on is trying to push Congress on favorable tax treatment on mitigation efforts. So, there are some bills filed, but they really haven't gotten any traction. But in Oklahoma when we give out a \$10,000 grant to a homeowner, that's taxable income to them. So, that tax relief issue would be super helpful to move these programs forward, and that's where we could really use your help. Rep. Jordan stated that we'll certainly discuss that topic during our DC fly-in.

DISCUSSION ON ARTIFICIAL INTELLIGENCE (AI) MATTERS

Rep. Jordan stated that AI continues to impact the insurance marketplace and in response to that, both state and federal policymakers have been very active in trying to respond with the policy measures that protect consumers but don't hinder innovation. From an NCOIL perspective, we had a model AI law that was discussed last year requiring human review of any AI claim denials or adjustments but that's on pause for now as we'll be considering a resolution on Sunday pushing back on federal activity in this area. And from my perspective, I'm interested in this because I've introduced an AI bill in my state and it's gotten some federal pushback. But first, we're interested in learning more about NAIC's AI systems evaluation tool. Can you please let us know where things stand in terms of implementation and state participation?

Cmsr. Clark stated that I think from a regulator perspective, none of us are against the use of technology if it is used appropriately, and it's use is still within the purview of the laws of our state. But this is a subject matter that crosses all lines of insurance. I will give you a couple of examples where it's even crossing into the policyholders' improper use of AI. But to the first point, the NAIC laid the groundwork for AI oversight, beginning with the AI principles in 2020, and the AI model bulletin in 2023. There are 25 states that have adopted that bulletin. I'm proud to say Kentucky is one of those states. The AI pilot project is in its very early infancy and I know that we will be able to give you a much better update later on this year but just the basics behind it, it's based on the work that the NAIC big data and AI working group developed to help regulators assess insurers' AI governance, risk management, and how they are using AI in the marketplace. And I appreciate your legislative concern in the NCOIL AI resolution. I'm kind of going off our talking points here, but I want to give you just one example of that human touch that needs to be in there with AI. There is a class action lawsuit now that involves a health insurer and they were using AI for authorization purposes and there was a senior lady who had some major surgery. She was allowed to go to a rehabilitation facility for four weeks. She was kicked out four days later and it was based on AI's review of her charts and that resulted in this class action lawsuit. So, that gives you just one example right now that we're dealing with of how AI is being used.

I mentioned the AI use by policyholders. Kentucky is investigating a fraud complaint right now where the policyholder has used AI to change pictures on an insurance claim and file false claims. So, it's not just the use of AI by insurers, we are now seeing that use for fraud. That fraud use would have never occurred to me but we have that challenge now. I'll give you another example of how we're dealing with AI. We have policyholders who are challenging the Departments of Insurance on interpretations of our laws and regulations. In fact, just this week, the Georgia Commissioner has been threatened with a lawsuit because the consumer alleges that "AI said that my claim's supposed to be paid". Forget what the Georgia Department of Insurance says and the Georgia regulations and statutes. And that is just going to be the norm. We're hearing about AI produced arguments in multiple cases. Cmsr. Kuderer can talk about her department receiving AI generated complaints being filed with consumer complaint departments. So, AI is not just an issue with oversight of insurers. We're having to look at all of these other aspects of it. So it is a priority and to Rep. Carter's earlier question, the human touch needs to be involved and thank you NCOIL for your work on that resolution.

From my perspective, I have no problems with insurance companies using AI but they must be able to explain to me how that is being used, and in what capacity like claims payments, underwriting, and how it benefits their policyholders. Unfortunately, I had to have one difficult conversation with a company and I mentioned this type of process they were using, and I said, "How is it used?" They couldn't even tell me. That doesn't fly very well with regulators. So, it's a serious concern. I say sometimes we're running behind the car and holding on to the bumper of the car trying to keep up with all the changes in AI and how it's being used. I think another area

that we do agree on is the role of the federal government and concern about federal activity here. We know that there was some activity back in December 2025 where there were some discussions about there should be a national AI policy framework and it would preempt state laws on this. All of us know that each state is its own marketplace and we all have our pluses and minuses and it needs to stay with the states. Congress has considered various proposals relating to AI governance but no comprehensive federal AI framework has been enacted.

The NAIC has raised concerns with federal efforts to preempt state authority, including the administration's executive orders on AI. We've submitted letters to congressional leadership. We have reiterated our opposition to a broad AI moratorium, emphasizing the potential disruption that it would cause in the marketplace and the confusion. The NCOIL resolution hopefully will have an impact. Maybe if our efforts have not been heeded, your legislative voices can be heard. Federal agencies are expected to continue to evaluate national approaches to AI and Congress may consider additional legislation. The NAIC and regulators will continue engaging with Congress and the administration to ensure any federal framework respects states. We strongly encourage states that have not yet done so to consider adopting the AI model bulletin and the NAIC Insurance Data Security Model Law. There have been 28 states that have adopted that so if you see that coming across your desk at any future sessions we'd like consideration of that. I'll turn the question back to you on AI. Have you all been considering any work on AI from a state perspective?

Rep. Jordan stated that before we get into that, after the NAIC's AI exercise is completed, what do you expect to do with the information? Will there be any new AI standards set forth as model bulletins, regulations or laws? Cmsr. Clark stated that I'm not sure I can answer that right now. I think we're going to have to see what information we can acquire from the pilot project and if there is an avenue to go forward, it remains to be seen.

Rep. Jordan stated that both of our organizations have pushed back on the proposed 10-year federal moratorium on state regulation of AI and on the Executive Order aiming to preempt the state abilities to regulate AI. And we're going to consider the NCOIL resolution on Sunday. I introduced a bill in Louisiana that would deal with the regulation of AI. And I think there are some things in the bill that can be worked on but what was shocking and disappointing to me is that I understood that my bill ended up coming on a Federal list from the administration. And when we inquired a little deeper into it, it was our understanding that right now Louisiana has hundreds of millions of dollars in broadband funding that should be coming from the federal government. And if any AI bill is passed, the word is that funding would be placed in jeopardy. I understand it's happened to some other states already, and that is tough leverage to exert over a state. And if we succumb to that, in my personal opinion, and this is just me speaking, then I think we should just go ahead and federalize insurance because we're going down a slippery slope at that point where we're going to let the federal government dictate to us how the states operate. And to me, that violates every principle of McCarran-Ferguson and everything we've done. Today it's AI, tomorrow it could be some other issue. And it's not an issue of whether we agree or disagree on it. It's the principle of it all. And I think that is part of why we should move forward with the resolution. I think that's the correct thing to do.

Cmsr. Pike stated that I completely agree. I think that is a battle worth fighting. Rep. Jordan stated that I know some may not want to go to that extreme but if we give in on this issue, then I think you're going to start to see the federalization of insurance and then state regulation I think goes away. I do think this is a dangerous precedent that we are setting. Cmsr. Pike stated that I agree and I think it's another situation where currently the federal government really isn't doing it. The states are doing it and I think we're better positioned to do it like so many other things in

this arena. Rep. Jordan stated that I've heard other states have experience similar things to what I did with my bill and one of those states was Utah and I don't know if you've been personally affected, or if you want to expound on that at all. Cmsr. Pike stated that we have some things underway and we have been cautioned and we had people reaching out to legislators in our state and saying, "don't do this, and don't do that." So there's some concern there. Our Governor is working hard to try to keep the communication open but that's about all I can say at this point.

Sen. Lana Theis (MI) stated that I think one of the things that is getting missed in the scope of this is what AI is, and a simple definition of AI is not easy to come by. Are we talking chat bots? Are we talking large language model search engines? Are we talking about smart AI? Are we talking about superintelligence? Some of this is directly related to national security. Some of this is specifically related to how someone's interacting with the website of their insurance company. Those are all very different things and very different scopes, and if we're trying to encompass AI and wrapping it all in that bundle, I think we do that at our own peril. We need to be very cautious as we approach an understanding of what specifically we're defining as we approach this topic, and as we try to legislate and regulate.

DISCUSSION ON INSURANCE AFFORDABILITY AND AVAILABILITY ISSUES

Rep. Jordan stated that the next topic is unfortunately still one of the most talked about issues when it comes to insurance and that is affordability and availability. I'm sure that all of us here on some level have been dealing with the issues related to that and across different lines and I know there are headlines about insurance rates and insurers leaving markets that continue to appear in national news outlets. And I think we'll all be hard-pressed to say that things have improved a lot. I know that we've discussed this before, but I think that it's important to continue to maintain the dialogue about this and talk about what we're seeing in our states and within our organizations and what potential solutions to help us resolve these things are.

Cmsr. Kuderer stated that I think you articulated the issue really well. Cost and availability challenges continue to be a paramount concern for consumers and costs are being driven by increased catastrophe losses and volatility, rising reinsurance costs, and inflation. And this is felt most in the property markets, mainly in the homeowners insurance area as well as reinsurance. And at the NAIC, regulators are focused on understanding the drivers of these challenges and equipping states with the data and the tools and coordination needed to effectively respond. And our focus areas include catastrophe risk and resilience and through our NAIC's natural catastrophe risk and resilience task force, regulators are focused on improving catastrophe modeling, supporting mitigation efforts, and better understanding how catastrophe exposure impacts pricing and availability in property markets. Next, the NAIC is focused on healthcare work streams. The health insurance and managed care committee continues to address access and cost drivers, monitor health insurance markets and engage with Congress and federal agencies on ACA tax credits, Medicare Advantage oversight, and funding for consumer assistance programs. You heard Cmsr. Mulready talk about the need to have more oversight of Medicare Advantage. One of the largest complaints we get at my office in Washington is about Medicare Advantage plans and deceptive marketing practices. We've brought up to Congress that we'd like to have more oversight over Medicare Advantage. Another issue is market conduct modernization and underwriting oversight through the NAIC's D Committee. Regulators are reviewing the market conduct framework to ensure they have the tools and data needed to monitor underwriting practices, pricing trends, and market impacts.

Another issue that we're focused on is something that I think is universally felt across the country, and that is the issue of insurance for childcare organizations. Regulators and legislators alike are increasingly hearing concerns about the cost and availability of coverage for foster care providers and childcare organizations, particularly in the liability market. And in Washington state, my office has met with many childcare providers, agency heads, the insurance industry, and other stakeholders about this issue. And there is a real sense of urgency around this. We're talking about the increased liability exposure, litigation trends, expanded statutes of limitations for child abuse claims, reduced insurer participation and changes in coverage terms. In our state these issues led to a study that documented past child sexual abuse claims and what we are referring to as a coverage gap as the single most significant driver of challenges for these organizations. And in response to these concerns, the NAIC's, Property and Casualty Insurance Committee formed a new working group that I will chair to further study these challenges and provide recommendations to regulators and legislators to help address this urgent cost and availability issue for child placement agencies and group foster homes. State regulators are closest to the market conditions and are best positioned to help develop these solutions. And as with all these focus areas, we welcome NCOIL collaboration especially with the issue of insurance for childcare organizations as I know that you're also hearing about this issue as well and it's really important that we help solve this very critical issue.

Sen. Beverly Gossage (KS) stated that as a health insurance agent for 22 years, I also write Medicare programs. Medicare Advantage is a completely different animal in that all its structures must be approved through Medicare and even though I believe that in state control of health insurance, I'm very reluctant to support any bill that would say Medicare Advantage should fall under the states. So, I'd like to hear more about that. Cmsr. Kuderer stated that I appreciate that and giving me the opportunity to clarify because I think what we're talking about is oversight of the advertising of Medicare Advantage plans. We have a program in Washington State that we call Community Connect. And we go around the state and we talk to folks about insurance issues and healthcare, of course, is the number one issue that we hear about. And of that, about 50% of the complaints we hear are about Medicare Advantage and feeling like what's being represented on the commercial is not the same as what they're actually getting, and that's really what we've been asking Congress.

Sen. Gossage that I definitely support that and I appreciate that clarification about false advertising. Cmsr. Mulready stated that my push in my case is trying to have Oklahomans taking care of Oklahomans and at the federal level we just want to be able to enter into collaborative agreements. We don't have to mandate anything really big, just allow us to enter into collaborative agreements with states that want to do that. And with marketing efforts, the problem is at enrollment where someone has signed up and then they realize there's a smaller number of physicians than they thought and then they are trapped. And then a second situation that comes up and we had one very recently where it did resolve itself, but it involved a contract negotiation with a big health system. And I think we have a much better feel on the ground of what the impact of that would be if someone goes out of network and the ability to then dictate a special open enrollment period versus from DC, declaring the impact on that market and and declaring a special open enrollment. So, those are a couple examples of what we would like to see have some more authority on. Sen. Gossage stated that I'd be happy to talk about that and about how we could work together on what would make the most sense.

Rep. Meskers stated that one of the issues that strikes us in Connecticut is related to the statute of limitation on sexual abuse. We have a large percentage of our nonprofits who are providing services to the state and I think the issue needs to be addressed as to whether or not we look at capping payouts that are for claims that are 20 or 30 years old, or providing some commonality

of a guaranty fund. Or looking at how we can address the issue because the state is going to be left with no providers if we can't do something about this. I don't know how much is affected by federal statute of limitations and how much of state statute of limitations sits with the state but probably guidance from both sides is needed, and how do we move forward with capping those either in a humane way or changing the regulatory framework because it's unworkable. I think when we set this up, we were looking at hitting well established organizations with long term patterns of abuse and now we're hitting people who are doing the work for us. Who are inadvertently caught up and swept up in claims that are hard to adjudicate. So, I'd love your thoughts on what we can do.

Cmsr. Kuderer stated that it's a real challenging issue to say the least. I will say that in Washington state we actually lifted the statute of limitations and our study found that really did not impact the number of claims. What was more impactful was the direct solicitation of plaintiffs, and the entrance of private equity into this area. And so we are taking a strong look in the Working Group about all issues that play in this area. And like you said, maybe a guaranty fund, that sort of thing, is appropriate. We want to balance how do we be fair to child sex abuse victims and how do we also be fair to the organizations that are providing care today? They're completely different organizations today than they were 40 years ago, which is where we're seeing a lot of this. And the insurance industry already changed its approach to this. Insurers used to have occurrence based policies, and then they went to claims-made policies in order to address the lengthened statute of limitations. So, the current issue and all the other insurance risks are really not an issue for these organizations. It really is just the gap, these past child sexual abuse claims. Every state has a different statute of limitations. Many have probably done what Washington did and lifted it. But our goal is to provide a set of recommendations that individual states can look at and pick and choose what works best for them in their situation.

Cmsr. Mulready stated that just to add a little color to that too, something that you all addressed I know fairly recently is third party litigation funding by private equity. We have addressed it in Oklahoma. We passed legislation addressing disclosure of funding from private entities and adversarial nations. But the next big hurdle in that space is addressing the tax issue. And so something for you all to be thinking about is at the federal level, there was a bill addressing the tax issues within third party litigation funding.

UPDATE ON NAIC PROPERTY & CASUALTY INSURANCE MARKET INTELLIGENCE DATA CALL

Rep. Jordan stated that next, I understand that NAIC recently announced a data call relating to homeowners insurance. Can you provide us with some background as to what led to the data call and what the NAIC intends to do with the data in terms of potential model laws or regulations?

Cmsr. Mulready stated that last month, the NAIC sent out that nationwide homeowners data call. This really is the second data call. The first one went out and covered up to 2022 to establish a baseline for us. We tweaked a second data call to see what would be most helpful for folks so this will now cover eight years, from 2018 to 2025. We're going to be looking at premiums, coverage, deductibles, claims and losses, mitigation discounts, cancellations, non-renewals, down to the zip code level, that will really be helpful for us in the departments of insurance to really have a much better feel of the market and what is happening there. Now, when we first were going to roll this out, I spoke with Colorado Commissioner Mike Conway, chair of the C committee, because we thought it was important that there be some sort of public facing document and data that comes out of this. As you can imagine, there's a lot of concern

about proprietary information and that type thing but the decision was made to produce a separate report. The deadline to respond is June 15th. There'll be a lot of slicing and dicing after that, but then we recently formed a Homeowners Market Report Working Group to establish what will exactly that public facing documented data look like. So there will be a significant amount of information for us, and we expect to release a public report in 2027. We really want to identify availability gaps and affordability gaps and understand the rate and underwriting and claim trends and then understand mitigation and evaluate the effectiveness of mitigation and interventions. So, we have a multi-state-wide-led effort that hopefully will help bring us some more answers and give us a good finger on the pulse of what's happening in the marketplace down to the zip code level.

Rep. Jordan asked if this relates to the data call with FIO from a couple of years ago? Cmsr. Mulready stated that yes, that was the first one we did and then this is now the second phase where we'll have the full eight years of data available to us. FIO was not involved in this.

DISCUSSION ON U.S. TREASURY MEETINGS WITH INSURANCE REGULATORS ON PRIVATE CREDIT MARKETS

Rep. Jordan stated that we understand a couple of weeks ago the US Treasury announced that it would be meeting with insurance regulators regarding the growth of private credit in the insurance marketplace. Something that certainly caught our eye in the announcement was that the Treasury has no direct regulatory authority over the insurance industry but stated that its goal is to have Treasury be a convening authority for all 50 US state insurance regulators. So, we're certainly curious if there are any concerns from the NAIC here about any type of federal encroachment. And if you would provide us with any information you could about the scheduled meetings and what the NAIC's views are on this issue and how it relates to the private credit rating provider due diligence framework, that would be great.

Cmsr. Pike stated that we do have concerns. We certainly recognize the U.S. Treasury's statutory authority to convene meetings, and we're happy to meet and we will be doing that. Soon, we anticipate at least a high level meeting with NAIC President and Virginia Commissioner Scott White and the Treasury Department. We anticipate sometime in May that there will be a broader discussion with a larger group of commissioners. I think that mostly what the secretary wants to do is convene and to discuss and to share concerns and we'll hopefully be able to help him understand what is happening in the states. This issue is not new to us. It's been an issue, but it's becoming more of an issue, as you know. Private credit has predominantly been an issue in the life insurance and annuities arenas, but it's getting into other lines and we believe it has its place and we'll communicate that. But there are also a lot of concerns and we want to try to get up-to-speed. And as Cmsr. Clark mentioned when it comes to AI, the same thing applies when it comes to private credit - we don't want to have it be the tail wagging the dog. We'd like to try to get ahead of it a bit and be able to properly regulate insurers and exposure to these emerging kinds of investment and private credit markets. Some of the concerns are limited transparency and pricing clarity and less liquidity and being harder to sell, especially in a market downturn. Complex structures may mask risk. Also, affiliated investments where interdependence of pricing and risk assessment may be less clear is a concern. Another concern is oversight of valuation. It's hard kind of by definition to value these kinds of assets. But capital rules are keeping up, and we need to make sure they are keeping up with market growth. We also don't know how yet these assets will perform through a full credit cycle which remains largely untested and the current scale that that we're seeing is concerning. We're proactively monitoring exposures through NAIC analysis and coordinated state oversight, including work being done by the Capital Markets Bureau and Macro Prudential

Working Group within the NAIC. We're beginning at the end of this year financial filings to require insurers to disclose more granular reporting on private credit holdings, including valuation details, classifications, and their use of private ratings. Regulators will use this data to identify concentrations and emerging risks and engage directly with insurers when warranted.

We do believe private credit can play a legitimate role in insurance portfolios when properly managed and we are focused as regulators on ensuring that transparency, valuation discipline and capital requirements keep pace with market innovation so it's not the tail wagging the dog. And the priority remains to protect policyholders and maintain insurer solvency with regulators actively supervising these risks through coordinated state-based oversight. And I can speak with a little bit of experience on this in the last few years. It is extremely complex and it's difficult sometimes to convince some insurers about how important it is. We wish to recognize market trends, but we also again, have to always make sure insurance carriers remain solvent and that we protect ultimately the policyholder. And while we should have the same goal in mind and insurers always say they do, ultimately we are tasked with liquidity and we need to make sure solvency is preserved in the event of a downturn. Like I said, new assets types are not fully tested, and we just don't want to have a disaster because of not truly understanding complex valuations because. And in this case, it's just very difficult. And so I think all those things are things we will communicate that we're on top of and monitoring very closely.

Cmsr. Clark stated that from the financial solvency perspective, states have long had investment language in our statutes prohibiting things like junk bond purchases and there's limitations on various categories of investments. As Cmsr. Pike said, we did that for a reason. We want to protect the assets of that company so that claims can be paid. And with this issue, it is fast-moving. Sometimes they cannot explain the investment to us, and that makes us nervous so it's going to have heightened scrutiny. And I can promise you we'll be on top of it because I know the financial analysts in my department and I use the expression, "they scrub things with a wire brush". So I feel like all of the departments are going to be looking at this very closely and asking for information that will be forthcoming.

Cmsr. Mulready stated that I'd just like to take a minute to acknowledge the work that NCOIL did with us as we were trying to move forward in the not so distant past on private credit ratings and how we might challenge those when we see a large differentiation. And there was a lot of work done and we got a lot of feedback from you. It culminated in leadership from NCOIL and NAIC visiting the Securities Valuation Office (SVO) to see exactly what was happening. I wanted to applaud your efforts on that because I think, ultimately, we came out with a better product because of that.

Rep. Jordan asked if the NAIC is concerned with the increased growth of private credit in the insurance marketplace? Cmsr. Pike stated yes. I can answer for myself with some of my own experience. We would typically look and hope for a pretty low percentage of assets being in these kinds of investments of at total of 15%, or maybe 20%. But we're starting to see some insurers with much more than that. I was reading an article saying some insurer investment concentrations were reaching 50% or 60%, and that is greatly concerning. I won't speak for my fellow commissioners, but that concerns me at that point because there is so much at risk there, so much unknown. And again, in my experience, the difficulty is placing a valuation on those assets, and we don't really know quite what we have. And while I am not an investment expert, I do have some investment experts in my department and it makes them nervous and if it makes them nervous, I'm nervous.

Cmsr. Kuderer stated that we definitely have concerns in Washington, and we're also concerned with some of the rating agencies that might be inflating the value of these investments and that's also an issue that we're monitoring very closely.

Rep. Meskers stated that you're having trouble valuing private credit probably because it is private credit and it has no public market. And I think that maybe the easiest application is an overall limit on private equity and fixed income. They will then gravitate towards equity presumably because it's a potential higher return and a loss. But the idea that we're putting fixed income into credit that we can't figure out if it's got a liquidation value. You're going to face two risks, insolvency or simple illiquidity. And the claims on the system could be catastrophic. It's really a cap on the overall non-public markets and the reason this stuff is created in the non-public market is because there is no transparency and I won't say the word investment public benefit manager too often, but when I can't figure out the diagram of a cash flow, it's because maybe there is no cash flow, and that's the problem. Cmsr. Pike stated I agree. That is the biggest problem - illiquidity. And again, in a potential downturn market. And to quote one of my former insurance commissioner friends, "insurance companies need to be a solvent every day. Not just the good days." Cmsr. Mulready reiterated that in year-end filings at the end of this year, we will begin receiving from insurers granular data on the credit holdings and their valuation detail.

UPDATE ON RENEWAL OF TERRORISM RISK INSURANCE ACT (TRIA)

Rep. Jordan noted that the committee was out of time and couldn't discuss the last scheduled topic, the renewal TRIA. Cmsr. Mulready stated that the NAIC is in favor of a renewal of TRIA. Cmsr. Pike stated that we hope it can be renewed long term like for a minimum of seven years so that it doesn't disrupt the market.

ADJOURNMENT

Hearing no further business, upon a motion made by Rep. Lehman and seconded by Sen. Theis, the Committee adjourned at 3:00 p.m.