

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
2026 NCOIL SPRING MEETING – LOUISVILLE, KENTUCKY
APRIL 18, 2026
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at the Hyatt Regency Hotel in Louisville, KY on Saturday, April 18, 2026 at 9:00 a.m.

Michigan Senator Lana Theis, Chair of the Committee, presided.

Other members of the Committee present were:

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| Sen. Justin Boyd (AR) | Sen. Paul Utke (MN) |
| Rep. Stephen Meskers (CT) | Sen. Jeff Barta (ND) |
| Rep. Matt Lehman (IN) | Sen. Jerry Klein (ND) |
| Rep. Peggy Mayfield (IN) | Sen. Tim McGough (NH) |
| Rep. Adrielle Camuel (KY) | Asm. Jarett Gandolfo (NY) |
| Rep. Mike Clines (KY) | Rep. Tim Barhorst (OH) |
| Rep. Deanna Gordon (KY) | Rep. Meredith Craig (OH) |
| Rep. Erika Hancock (KY) | Rep. Brian Lampton (OH) |
| Sen. Jason Howell (KY) | Sen. George Lang (OH) |
| Rep. Mike Meredith (KY) | Rep. Tom Oliverson, M.D. (TX) |
| Rep. Sarge Pollock (KY) | Rep. Trey Wharton (TX) |
| Rep. Edmond Jordan (LA) | Rep. Calvin Callahan (WI) |
| Rep. David LeBoeuf (MA) | Rep. Barbara Dittrich (WI) |
| Rep. Brenda Carter (MI) | Sen. Mary Felzkowski (WI) |
| Sen. Mark Huizenga (MI) | |
| Rep. Mike McFall (MI) | |

Other legislators present were:

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| Sen. Jesse Bjorkman (AK) | Rep. Kellie Deeter (OH) |
| Rep. Justin Wilmeth (AZ) | Rep. Ellyn Hefner (OK) |
| Rep. Brett Barker (IA) | Sen. Mark Mann (OK) |
| Rep. Elizabeth Wilson (IA) | Rep. Greg Scott (PA) |
| Rep. Wendy Dant Chesser (IN) | Rep. Yusuf Hakeem (TN) |
| Sen. Beverly Gossage (KS) | Rep. Matt Morgan (TX) |
| Rep. Shaun Mena (LA) | Sen. Jamie Wall (WI) |
| Del. Mike Rogers (MD) | Sen. Cale Case (WY) |
| Rep. Sara Lightner (MI) | |
| Sen. Bill Gannon (NH) | |
| Rep. Julie Miles (NH) | |

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 Asm. Jarett Gandolfo (NY), the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Asm. Gandolfo 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 15, 2025 meeting.

PRESENTATION ON DEVELOPMENTS IN THE PARAMETRIC INSURANCE MARKETPLACE

Sen. Theis stated that first on our agenda is a presentation on developments in the parametric insurance marketplace. Parametric insurance is very helpful in insuring against things such as extreme weather events or occurrences like earthquakes. It pays a pre-established amount based on the occurrence of a physical event with certain characteristics. For example, with an earthquake, the product would pay out when an earthquake hits 4.0 on the Richter scale. In certain states like New York, the insurance statutes did not allow insurers to issue this coverage so New York is one of a handful of states that have taken active steps to define and regulate parametric insurance. The New York law is in the online materials. Today, Dan Rabinowitz of Herbert, Smith, Freehills, Kramer LLP will brief us on developments in the parametric insurance marketplace.

Mr. Rabinowitz thanked the committee for the opportunity to speak and stated that parametric coverage is a type of recovery that pays out a pre-agreed amount when a predefined event occurs using a predefined index or parameter. So, instead of having to show actual loss, the policyholder gets a recovery when an event occurs beyond a certain trigger or threshold. There's no loss adjustment process. This is intended to result in a faster payout of claims. By way of example, you could have a parametric contract that says that if an earthquake of magnitude of X amount occurs in a defined geographic area, the contract will pay a certain amount, say \$10 million. Or there could be a sliding scale where if the magnitude is seven, it pays \$10 million. Or if it's nine, it pays \$30 million, regardless of how much loss the policyholder actually has suffered. Who might use parametric coverage? What areas might it be attractive in? Well, digital infrastructure and artificial intelligence data centers are a big ones because their size and unique characteristics expose them to extreme weather events and power grid related events like outages. So, you could have a parametric contract based on events affecting the power grid.

Similarly, the travel industry is exposed to weather and other kinds of events that might make parametric coverage appropriate. Not just weather, but you could have a parametric coverage based on the number of arriving flights at a particular airport or the number of passengers transiting through a particular airport. So, if that number dips below a certain amount, the contract would pay out X amount. And in the retail business, you could have parametric coverage that's triggered by decreased foot traffic in stores. Some other areas where parametric coverage might be attractive are agriculture, renewable energy and construction because these sectors are also affected by extreme weather and other sorts of natural events. It's difficult to get reliable information about the exact size and scale of parametric coverage but one study that came out that was cited by the Society of Actuaries reported that in 2025, the global market size of the parametric sector was about \$19 billion. Now, that's a very small fragment of the global insurance market as a whole, six-tenths of a percent. But this is expected to grow. And

the U.S. accounts for about a quarter of that. By 2035, this study forecasts that the parametric market will be about \$63 billion. That's an annual growth rate projected for the next 10 years of about 12% with the largest market being North America, but the fastest growing region being Asia Pacific.

Parametric contracts are nothing new in the area of third-party capital insurance-linked securities such as catastrophe bonds or cat bonds. And just briefly, if you are not familiar with these, cat bonds are investment products. They're capital markets products that are issued to investors by a sponsoring insurance company where the sponsoring insurance company wants a sort of substitute for reinsurance. The proceeds of the bonds are segregated and put in an investment account or in a trust. And they act as a sort of recovery, a source of recovery when the sponsoring company is exposed to the particular risk. So, an earthquake exceeds a certain trigger, the bond pays the insurance company. The hurricane exceeds the trigger, the bond pays the insurance company. Because it's based on a parametric trigger and not actual loss this is expected to result in quicker settlement for the investors. The investors don't want to wait months or years to get their principal back and the parametric character of the coverage makes settlement quicker. It's also worth pointing out here that the contract, without getting into too much detail, between the sponsoring insurance company and the issuing entity might be a traditional reinsurance contract, or it might be a swap written on what's known as an ISDA master which is the traditional form on which swaps and other kinds of derivatives are written. So, the form of the contract might be insurance, or it might be a swap, but either way, the risk that it's protecting against is parametric in nature.

So, where does parametric coverage fit into the statutory State scheme having to do with insurance law and definitions of insurance. Let's focus a little bit on the New York definition of insurance contract and I focus on New York because it has a well known and traditional definition of insurance and one that has been developed and opined on by the New York Insurance Regulators in guidance over the years. And generally speaking, in New York, an insurance contract is an agreement whereby the insurer is obligated to confer benefit of pecuniary value upon the beneficiary dependent upon the happening of a fortuitous event. And a fortuitous event is defined as an event beyond the control of either party. The fortuitous event must be one in which the insured is expected to have a material interest that will be adversely affected. So, the New York Department of Financial Services and its predecessor, the New York Insurance Department, over the years issued guidance saying that the two main characteristics of an insurance contract are insurable interest, that is having a material interest in the property that's exposed, and having to show proof of loss when the event happens.

Are these factors present in parametric coverage? Well, insurable interest you might say could be if you only issue the product to someone who owns property in the particular region and is exposed to the particular risk. It might not necessarily be the case if you sell the product to someone else, but if you sell the product to someone with the insurable interest, then the factor of insurable interest could be present. But clearly, the whole point of parametric coverage is to do away with proof of loss so that characteristic of insurance is not present in parametric coverage. Nevertheless, as we heard, the New York legislature introduced a new line of insurance coverage called parametric insurance in 2025. It limited it to weather-related events like windstorm, flood, snow, etc, and it said that parametric insurance is insurance. So again, it's defining it as insurance with those characteristics regardless of whether they're there, based on the proximity and magnitude of an event. New York goes on to say that if you issue parametric coverage, you have to disclose to the policyholder that it's not a substitute for property or flood insurance which may be more comprehensive, and a lender might not accept the parametric policy.

Let's compare New York's approach with a couple of other states. Vermont, as you may know, is a major captive domicile and has a very robust captive insurance statute. And in 2022, Vermont amended its statute to specifically permit parametric coverage for captive insurance companies. They also went on to say what a parametric contract is. It's a contract to make a payment upon the occurrence of a specified triggering event without proof of loss and they specifically said a parametric contract is not an insurance contract. But then in 2024, they amended the statute to delete that language. So, they deleted the sentence that said, "A parametric contract is not an insurance contract." And in a legislative summary memo accompanying the bill, the legislature said it has become apparent that parametric contracts can be structured as insurance contracts. So, Vermont seems to be taking a somewhat agnostic view on whether or not a parametric contract could be insurance after initially saying categorically that it could not. Tennessee also has a robust captive statute, and it changed its statute in 2021 to allow for parametric coverage. Tennessee specifically says in its statute parametric contracts are considered contracts of insurance.

Let's look at Connecticut, which also has a captive statute. And again, these statutes applying to captive insurance companies are not yet in effect for regular insurance companies, just for captives. Connecticut seemed to be circumspect in its definition of captive. It said that a captive insurance company can accept or transfer risk by means of a parametric contract and that if a captive does so, it has to comply with all federal and state laws. That's similar to what Vermont said in its statute. And, then it defines parametric contract again with the definition that we've seen in other states but it doesn't characterize it as insurance or non-insurance. Puerto Rico has introduced laws on micro insurance. So, these are low premium, low coverage policies for the retail market responding to hurricane coverage because of their exposure to hurricanes in Puerto Rico. The contracts covered by microinsurance are parametric contracts, according to the Puerto Rico regulation. And Puerto Rico specifically defines parametric coverage as an insurance contract and it goes on to specifically say in its regulation that the insurable interest is verified at the time of executing the contract and consists in the fact that the insured has a reasonable expectation that he will incur an economic loss in the event that the predetermined adverse effect occurs. So not only is Puerto Rico saying that parametric coverage is insurance, but they are specifically saying that insurable interest is present.

As we've seen before, the boundary between insurance contract and swap in this context can be blurry. And as we saw in the cat bond context, risk transfer can be accomplished by means of an insurance contract, a reinsurance contract or a swap on an ISDA master where the coverage is the same. And just to focus a bit on the federal definition of swap. This comes from the Commodities Exchange Act. It's an agreement that provides for any purchase that is dependent on the occurrence, non-occurrence, I'm paraphrasing, or the extent of the occurrence of an event or contingency associated with a potential financial, economic, or commercial consequence or of one or more payments based on the value or level of one or more indices and that transfers between the parties the financial risk associated with a future change in any such value or level. Again, a definition not much different than what we've seen in the parametric insurance context. The definition of swap also lists out a number of contracts that are categorically defined as swaps, including weather swaps.

So, where does that leave us in terms of regulating parametric coverage as more states enter this space in their statutory codes? It's tempting to want to say I would suggest that we should regulate the substance rather than the form of a contract and that we should look at any commercial transaction and see what is the substance of it rather than what it's called and if the substance is insurance, it should be regulated by the states and if it's a swap, it should be

regulated by the federal government. But I would suggest that may be an elusive ambition, because as we've seen the boundary between insurance and swap, if it was ever robust in the first place, is kind of eroding because of the falling away of the proof of loss requirement and the questionable presence of insurable interest. So, does that leave us with more of a functional or pragmatic approach where we say that something is an insurance contract if it covers the kinds of risks or perils that are historically associated with insurance or that are written by an insurance company or that are historically associated with the regulation of insurance. And that something is a swap if it contains those risk parameters that are associated with things traditionally known as swaps or regulated as swaps. There's something kind of unsatisfying about that because that does sort of elevate form over substance a little bit. But in an area that's as fluid and changing as this area of parametric coverage that may be where we're heading and only time will tell as developments increase in the future on this.

Rep. Mike Meredith (KY) stated that your form over substance discussion is very interesting to me and especially in this space it's something I think all of us as legislators need to be thinking about because of the blurred lines of parametric insurance now versus the swap. We're already seeing that in regards to sports wagering and the blur in the lines of swaps playing out at a national level right now. I can see this being the next step by a lot of these exchanges related to their Commodity Futures Trading Commission (CFTC) exclusive jurisdiction. Mr. Rabinowitz stated that this is very much similar to the controversies over predictive markets. I agree, and it just underscores what you're saying that the line between swaps and other kinds of products, including gambling contracts. It's very interesting and it's something that's playing out before our very eyes.

Rep. Stephen Meskers (CT) stated that I would be more concerned as a representative in Connecticut about the implications for parametric insurance which is basically event-based insurance or a payout you can swap - the linguistics are not relevant to me. I think the question becomes is it the appropriate level of coverage? If I think about the banking industry which has loans out to the entire commercial and residential property market, if someone's covering their insurance on an event-based parametric insurance and the event is somehow poorly defined or the flood happens not because of rainfall but some other act, is the coverage even adequate? And in parametric insurance, you're carving out an event that may not have 100% correlation to what you were trying to insure against and therefore you might want to regulate it as insurance but the scope of whether it's adequate coverage for a loss puts me at I'd be very concerned.

Mr. Rabinowitz stated that I think what you are referring to is what's known as basis risk, which is what they call the potential mismatch between the expected payout that I have as a property owner and the loss that I might incur and the actual payout that I get because the parametric coverage is based on a predefined amount. Those two things may be different. I might come out ahead, I might come out behind. You're right. And minimizing basis risk I think is a major focus of the industry right now trying to align those two things so that there's not a mismatch. But I agree that if one of the points of insurance regulation is to assure that payouts are adequate and adequately compensate consumers for the risks that they incur, the functionality of parametric coverage has to be looked at in that context. And I agree, it's a very important point. It's intended to help the consumer by not having a loss adjustment process, by just being an automatic payout and therefore paying out more quickly, but you have to balance that against the basis risk. I agree, and that's something that will continue to develop.

Sen. George Lang (OH) stated that due to what I kind of perceived on your presentation of the lack of a reinsurance market and the dependence on the cat bonds, are the capital requirements for a captive playing in this field typically higher than in the rest of the industry?

Mr. Rabinowitz stated that for a captive insurance company to write parametric coverage my understanding in the states that have adopted parametric coverage for captive insurance, I don't think the capital requirements are very different. They haven't introduced additional capital requirements for captive insurance companies. For cat bonds, it's a slightly different kind of analysis because for cat bonds, you're talking about sort of a capital market substitute to reinsurance so the companies that are issuing cat bonds or that are relying on cat bonds are using a substitute for reinsurance and those companies that they're buying the coverage from are basically look through entities for investors so there are no specific capital requirements associated with those. Those are funded, those are funded 100% by the investors.

Sen. Theis stated that I'd be interested in the regulator's approach to that question and asked are you finding that individuals would be purchasing a baseline, minimal insurance and then the parametric in addition to it? Or are they just doing parametric? Mr. Rabinowitz stated that I think that the way that it's evolved to date is that it's intended to be supplemental. That is, I think that the companies writing parametric coverage to the extent that they're writing it in retail markets, and New York reflects this in its disclosure requirement as we noted that you tell consumers that this is not comprehensive, is that it's intended to be additive. Although I do note that in Puerto Rico, they do seem to intend that the micro insurance, because of the population and the exposure that they're dealing with, seems to be a substitute for regular insurance.

Sen. Theis stated that regarding the payout timeline, we know there are delays with traditional insurance. Can you do a compare and contrast with traditional insurance payouts versus parametric? Mr. Rabinowitz stated that I don't know if there's any specific empirical data on that. The intent is that parametric coverage pays out in days or weeks rather than months. The idea is that the event occurs, it occurs at a certain level, it's reported, it's verifiable, and then the company is obligated to make payouts to the policyholder. The policyholder does not have to report that it's suffered a loss. The policyholder doesn't have to quantify their loss. It's intended to be automatic, so theoretically it could be immediate. But as a practical matter, my understanding is that it takes days or weeks. Sen. Theis stated that I'm assuming that the parametric contracts traditionally determine who it is that is the authoritative entity on determination. Mr. Rabinowitz stated correct, they identify a federal or state government agency whose reports are considered to be dispositive for that purpose.

Sen. Justin Boyd (AR) stated that I realize we're in an insurance committee, but with this, you talked about basis and mismatch - do you find that states maybe need to look at their tax code on this to make them more efficient and business friendly to use? Mr. Rabinowitz stated that for tax or accounting purposes the tax code does need to respond to this. I think that parametric coverage would probably be considered insurance. I'm no tax lawyer, so I don't want to get out ahead of my skis. But I would think that a parametric contract would be considered insurance for tax purposes. For accounting purposes, I would point out that if something is considered a derivative or if it's considered a swap functionally, you treat it with fair value accounting rather than as a risk transfer contract. So, that's something that you would have to navigate depending on what kind of contract it is.

Sen. Theis thanked everyone and stated that I think this topic is a good opportunity for NCOIL to further discuss and potentially offer some guidance down the road. If anyone has any interest in it, please reach out to me or the NCOIL staff.

UPDATE ON POTENTIAL NCOIL MODEL ACT REGARDING INSURERS' USE OF AERIAL IMAGES

Sen. Theis stated that next up is an update on a potential NCOIL model act regarding insurers use of aerial images. As a reminder, this committee discussed this topic extensively for over a year and ultimately, the model that we were working on was narrowly voted down. However, after that happening, several legislators expressed interest in taking another go at this issue, and it's a very important one and one that's not going away. Bills continue to be introduced across the country and two of them were recently signed into law. One of those bills is from Indiana and we're going to hear about that from our colleague and past NCOIL president, Rep. Matt Lehman (IN).

Rep. Lehman stated that the Indiana law is on page 99 in your binders. We did recently pass this there. First I want to thank Rep. Brian Lampton (OH) and Rep. David LeBoeuf (MA) for sponsoring the prior version of the Model. I know we've worked on this for over a year and I really felt we had taken a pretty straightforward look at this. But I felt it was necessary to get something passed and out there because this is an issue that has to have some consumer protections around it so we made a few changes in Indiana. And people ask did you create the perfect law and even though I was the author, it was not the perfect law. And my philosophy at NCOIL has always been our role here is to build the foundation. We put a foundational place and then we let the states finish it off. And so I think what we did in Indiana was we built that good foundation and we can always tweak that moving forward but I think the guardrails are there. And I think NCOIL needs to pick this back up. I think it's an important issue moving forward and you can use Indiana's model as a start. I do think that by our summer meeting in July, I would like to see us having something out there that we can sit down with the industry, with the consumer groups and with us as the legislators to try to put some things together. I know Georgia recently passed a law as well, and so I think we've got to get to where NCOIL, as we do so well, can create a model and I look forward to that. I think there's a lot on the table when it comes to these technologies, and this is just one of those pieces of the puzzle. I look forward to working again with Rep. Lampton and Rep. LeBoeuf and hopefully have something in the summer we can work on.

Sen. Theis thanked Rep. Lehman and stated that my only commentary with respect to it is has to do with timelines. And you mentioned that in your language, ensuring that they're aligned with state timelines and then also timelines to correct the insufficiencies. For example, a roof in Michigan, if it's identified at midwinter, it's going to be really hard to correct within the 60-day window. Rep. Lehman stated that I think that we have to have again the discussion around the time to cure. We did use this as our template to then move our non renewal notices on homeowners to 60 days so I think that's a win for consumers. Also, this being the "sole" purpose of the non-renewal, that's a hard one to define sometimes so I do think there is some work to do and I look forward to working on it.

Sen. Theis stated that I agree that taking up this issue is absolutely necessary and I think the Indiana law is a good baseline for us and something that we can launch off from. Please don't hesitate to reach out to me, Rep. Lehmann, prior sponsors, or NCOIL staff with any questions.

CONTINUED DISCUSSION AND POTENTIAL CONSIDERATION OF PROPOSED AMENDMENTS TO NCOIL TRANSPORTATION NETWORK COMPANY (TNC) MODEL ACT

Sen. Theis stated that next up is a continued discussion of proposed amendments to the NCOIL TNC model act. You can view the model in your binders on page 89. It's also on the NCOIL website and app. As a reminder, we've had a vigorous discussion on this at our last meeting in November, and it seems that while progress has been made, we're not ready to vote yet.

Unfortunately, the sponsor of the amendments, Sen. Walter Michel (MS) couldn't be with us today as a special session was called right before he was about to get on the plane to come here but he did ask me to relay to the committee that he's pleased to sponsor these amendments, which serve an important purpose to modernize the NCOIL TNC model. It has been one of NCOIL's most successful models, but there has been a significant amount of change in the TNC landscape in the ten years since that model was adopted. You're also beginning to see bills pop up in states that are similar to these amendments so he thinks it's important that NCOIL offer some guidance to states that are considering this. He acknowledges that there is some disagreement among some folks about the intent of some of these amendments and what effect they would have which is why he's comfortable having some more discussion before offering the amendments up for a vote. He assures the committee that the amendments are offered up to respond to changes in the marketplace in the past ten years. There's nothing nefarious about them, but that said, there's no need to rush this, and he wants to make sure we get as close as possible to a consensus before moving forward.

Megan Sirjane-Samples, Director of Public Policy at Lyft, thanked the committee for the opportunity to speak in support of modernizing the liability insurance framework governing TNCs and the independent drivers who use their platforms. Rideshare companies have transformed how people move within and between communities, offering flexible earning opportunities for drivers and affordable, reliable transportation for riders. Yet the insurance and liability standards governing this sector were largely established more than a decade ago when the rideshare industry was still in its infancy and little claims data existed. These outdated requirements now impose disproportionate costs on riders and drivers alike without delivering commensurate benefits to consumers or claimants. Today, TNCs maintain robust ultra liability coverage typically \$1 million or more per incident whenever a driver is engaged in a trip. These high coverage levels were adopted before reliable data existed to guide risk assessment. The data now tells a clear story that the period 2 (P2) risk profile is fundamentally different than P3. Based on our own data, more than 90% of bodily injury claims are resolved or valued at less than \$100,000. Over 85% are resolved or valued at below \$50,000. Period two, the time after a ride is accepted but before the passenger enters the vehicle, accounts for roughly 12% of bodily injury claims counts only and the claim volume is far closer to P1, app on no ride accepted, than P3 passenger in the vehicle.

Despite this, P2 insurance limits can reach up to 12 times P1 limits as high as \$1.5 million in bodily injury and property damage compared to the \$50,000/\$125,000 levels for P1. These requirements are not defensible based on data. P2 carries no passenger yet is subject to coverage levels equivalent to or exceeding P3. The result is that TNC carriers are targets for outsized litigation, inflated claims, and adverse selection costs ultimately borne by drivers in reduced earnings and by riders in higher fares. On average, 15% of ride fare goes to mandated insurance-related expenses, and many markets far exceed that 15%. Aligning P2 insurance requirements with actual risk exposure by applying requirements proportional to P1 rather than P3 right sizes coverage without eliminating any consumer protections. It stabilizes the TNC insurance market, reduces litigation incentives and supports the long term affordability and sustainability of rideshare for the communities that depend on it. Equally important is the legislative clarity on vicarious liability. Without an explicit statutory exemption, plaintiffs' attorneys increasingly name TNCs as defendants in auto liability actions, not because TNC liability is well-founded, but because high insurance limits make TNCs attractive litigation targets. To date, courts ruling on dispositive motions have overwhelmingly found that TNCs are not vicariously liable for the alleged acts of drivers. Yet, TNCs still expend significant resources defending these claims before achieving dismissal. This burdens companies, clogs court dockets, and delays compensation for injured parties, even when that compensation is already

fully available through the mandated insurance policies. This reform is consistent with the Graves Amendment, the federal law shielding rental and leasing companies from vicarious liability absent direct negligence.

Just as Hertz is not liable for a renter's negligent driving, a TNC shouldn't be liable for a driver's actions by virtue of providing the platform unless the TNC itself has failed to meet its legal obligations. A couple clarifications. This does not eliminate consumer protections. The statutorily mandated \$1 million or more insurance policy remains intact. Injured parties can recover without suing the TNC directly. This does not shield criminal conduct. The model expressly allows state and federal criminal charges to be brought against a TNC or driver. Protections apply where the TNC has failed to fulfill its obligations under a state's TNC code. This does not bar legitimate direct claims. If a TNC is independently negligent, it remains fully exposed to liability. These reforms are not abstract policy questions, they have direct consequences for the people rideshares serves. A significant share of rides begin or end in low income communities where access to affordable transportation is critical. The vast majority of rideshare drivers use the platform part-time, balancing other jobs or educational commitments. Insurance cost inflation directly reduces their take-home earnings. Rising insurance costs, if left unaddressed, risk making rideshare unaffordable for everyday riders, the very population companies like Lyft were built to serve. Taken together, these reforms represent a balanced, data-driven approach to modernizing the rideshare regulatory framework. They would reduce litigation costs, streamline claims resolution, maintain strong consumer protections and ultimately make rides more affordable for riders and more sustainable for drivers. We respectfully urge the committee to advance the amendments and encourage states to adopt these common sense updates to their TNC insurance and liability frameworks.

Bob Passmore, Department Vice President, of Personal Lines at the American Property Casualty Insurance Association (APCIA), thanked the committee for the opportunity to speak and stated that APCIA and others were key stakeholders in the development of the NCOIL TNC model and have worked closely with the TNC industry to see legislation based on the model adopted in 49 states. We have no objection to the proposals that revise the definition of digital network, TNC driver, or the clarification of application to allow for the way the drivers submit such information electronically today. But we do have some concerns about the proposed changes to the activity periods and the limits that apply. Our association has historically been agnostic on the question of what limits should be, considering that a public policy issue for the states. However, we support the NCOIL model and find that the limits that it requires are reasonable.

The number one goal of the TNC model was to provide a clear set of insurance requirements that separate the commercial exposure of carrying passengers for hire from those typically on a personalized policy and to avoid gaps in coverage that could result in disputes. And the model's been very successful at doing that. But our members have expressed concern that the change in the period definition and the limits that apply could result in disputes that we've been trying to successfully avoid for the last ten years on the roughly 12% of the TNC claims that occurred during that period. There's a significant difference between how drivers behave when they're engaged in heading to pick up a passenger who could cancel that ride within those first five minutes. Companies also offer endorsements for these drivers now. They're commonly wraparound endorsements that complement the coverage that's provided by the platforms. Those products would need to be completely revised and refiled and rewritten for a risk that we really haven't been able to measure separately from the rest of the TNC risk so that presents a significant upheaval for those kinds of products as well. That being said, we understand the reasons for these proposed changes. The TNCs have been a prime target for legal system

abuse, and we've worked closely with Uber and Lyft on reform efforts. We have talked with Uber and Lyft to better understand the exposure for this period, and we'll continue to do so.

Sarah Collins, Attorney at Sam Aguiar Injury Lawyers, thanked the committee for the opportunity to speak and stated how many times growing up, did your parents tell you and then later you tell your children, "Never get in the car with a stranger." Victims' advocates, personal safety experts and police warn always avoid getting in the car with a stranger. If someone has a knife, and tries to rob you, you give them your purse. But if they have a knife and are trying to force you in the car, you fight with everything you have to avoid getting in that car. Because we know there are dangers associated with being in an enclosed moving space with a stranger. The risks are obvious and we all know them. We don't trust strangers. Boasting over 400 million rides in 2025 alone a client of mine trusted Lyft. To her, Lyft wasn't a stranger. Lyft had driven her friends. She sees Lyft commercials. From TV, to Facebook, to Twitter, Lyft and Uber are all around her, providing, and I believe it was just quoted a "reliable source of transportation." So, she trusted Lyft. She had trusted Lyft many times. And so do your college-aged daughters on the way to a fraternity party. We hope they take a Lyft or Uber. I tell my son, do not get in the car with a drunk driver. Never drive drunk. Always get a ride. Your wife going to the airport trusts Lyft or Uber. Your husband going to a business meeting out of town trusts Lyft and Uber. They are a national brand. And they have changed the way we think about or don't think about getting in the car with a stranger.

What my client didn't stop to realize is that the moment she confirmed her ride she gave up every ounce of ability to protect herself and she handed that power completely over to Lyft. My client is a young mother of four living in Louisville, KY. She's a very petite, small woman and she has used Lyft on various occasions. Most recently, she began using Lyft several times a week after she was in a serious car accident at the beginning of the year and had to get transportation to and from a chiropractor's office multiple times a week. She hadn't had a problem until the afternoon of February 4th. She was picked up by her Lyft driver, Jordan Diaz Vera. She didn't choose him. She had never met him. She knew nothing about him. All she knew was that someone by that name would be picking her up in a car. She didn't know if he had previously been reported for inappropriate comments, inappropriate touches. She didn't know how often passengers requested never to ride with him again. She did not know how often he had pulled off route with female passengers. All she knew was her Lyft had arrived and she got in the back seat. She told him that she was having a bad day and asked if he would turn on some music. Shortly after in broad daylight, he pulled off the route of the trip into a church parking lot and opened his glove compartment, revealing and brandishing a firearm. He got in the back seat with my client as she desperately tried to open the doors that had been locked. He took off his clothes, forced his penis in her mouth and forced her to perform oral sex on him until he finished. She was terrified and cried the whole time. And after nine minutes, he exited the back of the car and got in the front seat and drove her a short distance to her chiropractor appointment where he just let her out of the car. She went inside and was able to call the police as he circled the block multiple times.

She was immediately hysterical. Weeks later when I met her, she is the most traumatized victim I have ever been in contact with. She does not want to leave her house. She can't stand to be alone. She has therapists that are coming to her house, and she prefers women because she is terrified of men, especially those that she does not know. I have learned from law enforcement that five separate DNA test samples were found from bodily fluids in the back of his car. Not hair samples, bodily fluid samples, and those are being tested. And if that's not terrifying enough, he had only had that car for two weeks. One thing we've been learning is that there is an ability to switch cars with these services. It is estimated that a rape survivor will pay over \$120,000

across her lifetime for being raped and the effect of these amendments is saying, "That's where those costs belong." Every eight minutes Uber receives a report of sexual assault and misconduct. Over 400,000 reports of sexual misconduct were reviewed by the New York Times for Uber rides that occurred over six years. Overwhelmingly, these reports came from women who were alone at night. The vast majority of the alleged perpetrators are men. It's my understanding that Uber is quick to say three fourths of these claims weren't rape. They include things like flirting, commenting inappropriately on appearance. I'm glad Uber has that information because they don't tell that to the consumer. They don't tell the passengers who see reliability and safety in a national brand that they do not see with a stranger or a small local company.

Sen. Theis asked Ms. Collins to comment directly on the proposed amendments. We feel terribly about your clients' experience, obviously, but you're taking an extended period of time and you haven't specifically discussed the amendments.

Ms. Collins stated that accountability drives standards that keep passengers safe. Every other transportation company plays by these rules. Had my client taken a taxi and the same thing happened, the taxi would be fully liable. The same with the limousine company, the same with bus companies. Uber wants complete immunity, allowing them to cut corners, allowing them to undercut competitors. And with the amendments, what incentives would there be to keep passengers as safe as possible? What incentive would there be for Uber and Lyft to have increased background checks? At the moment she confirmed the ride, my client's power was gone, and in the hands of a company that she believed. She did not choose the driver as no passenger does. She chose Lyft and Uber and Lyft and Uber must be accountable for what happens to their passengers. They are not special. They are not being targeted. Their victims are.

Brad Nail, on behalf of Uber, thanked the committee for the opportunity to speak and stated that Ms. Sirjane-Samples laid out the basis for the amendments and did a good job with that and I don't want to repeat that in the interest of time. I do want to say that it has been over a decade since the TNC model was adopted and by any measure, it has been probably the most successful model that NCOIL has passed. Our cooperation with the insurance industry on this I think set a standard for how these models can be deployed. And what we've seen in the interim period of time as Ms. Sirjane-Samples described is realizations of how the litigation environment has evolved to pursue Uber and Lyft specifically and we're already seeing legislation in your states to try to enact some of these same changes and we have seen some of these changes enacted in some of your states. These amendments specifically, three of them really fall into what I would call litigation reform and then one of them is around the insurance limits that Mr. Passmore addressed.

The ones that address litigation reform, I think Ms. Collins was speaking most directly to the vicarious liability piece and without knowing the facts of that particular case, but based on the description we just heard, it sounds like there would be a cause of action even after the amendments that we're proposing. We are not proposing language changes that would reduce or eliminate liability of Uber or Lyft in scenarios where they did something wrong. What we've seen that we're trying to address are innumerable lawsuits where there is no cause of action stated against Uber or Lyft. It's that we operated the digital network upon which the driver connected and was simply negligent in an auto accident. We get named as an additional defendant and therefore, we have to hire counsel and go through an extended process to be dismissed from that lawsuit that we never should've been named in. We are not trying to in any way identify or get out of any lawsuits where there is a credible claim of negligence against the

TNC. It's only scenarios where there is no real allegation of negligence, the negligence lies with the driver and we already have insurance, \$1 dollars in insurance, to cover that driver's negligence. That's the scenario.

The other pieces of litigation reform are around product liability and common carrier status, which I think are consistent with the existing law, but need to be clarified in that they apply to TNCs. And then the final piece is the insurance piece that Mr. Passmore was speaking to, the limits in P2. I know a lot of you, including Rep. Lehman and Sen. Jerry Klein (ND) were at NCOIL at the time of the model's original adoption and have been dealing with this for a long time. Some of you probably weren't in the legislature when these bills were passed the first time through and the whole period concept is not as clear to you as to all of us who speak this language every day. But we divided the TNC activity into three periods. The period when they turn the app on and are available but have not received a ride request, and we set an insurance limit amount for that. The period when they have accepted the ride request, P2, and are on the way to pick someone up but they don't have any rider in the car and we set a limit for that, \$1 million in the model. And P3, when there are riders in the car, and we set the limit for that at \$1 million. And what we're saying is that P2, without any rider in the car, the risk profile matches up more closely with P1 at the lower limit than P3 at the higher limit when there are riders in the car. I appreciate Mr. Passmore's concerns and the industry's concerns. We think that the impact to the insurance industry will be minimal but we're going to keep working with them to see if we can supply them with some more data and get them to a comfort level and move forward with that.

Rep. Lehman stated the discussion I think we're missing maybe a little bit here is, in P1, we're still telling the industry, I'm in my personal automobile. It's my personal auto policy who's going to respond. We set limits on that in state statute, minimum limits, and then people can choose what they want. Once I accept that ride, I've moved into a commercial space because most of those auto policies will say once you've engaged in a commercial activity, you lose that coverage. So now we say, well now you've moved from a personal auto to a commercial auto and we over time have always held commercial autos to a much higher standard. So if you make P2 like P1, I think we're actually going to cloud the waters a little bit into am I commercial or am I not? And I think you said there's only 12% of the claims were in that P2 but if I'm going to pick someone up, I'm in the course of my business even though nobody's in the car. So I think you're going to have a gray area where the insured, the consumer, is going to be in a position of I don't know if my personal auto policy will respond or Lyft's or Uber's will. So I disagree with you on that part of this. I agree with you on the vicarious liability.

Rep. Oliverson stated that I have some questions regarding the independent contractor status things because that's the one that raises an eyebrow for me. Does Uber or Lyft currently conduct a background check on every person that signs up? Mr. Nail replied yes. Rep. Oliverson asked if that changes if they become an independent contractor? Mr. Nail replied no. Rep. Oliverson asked if Uber and Lyft verify legal immigration status for a driver and eligibility to work? Ms. Sirjane-Samples stated yes, eligibility to work is determined at onboarding through the background check. Rep. Oliverson stated so everybody that's driving for Uber and Lyft is here lawfully, eligible to work, and has done an I- 9? Ms. Sirjane-Samples replied yes.

Rep. Oliverson asked if Uber or Lyft do any type of criminal background checking or what are the exclusion criteria and how would that change if they went to an independent contractor status? Ms. Sirjane-Samples stated to be clear, they're independent contractors today. The proposed amendment is just codifying in the model what is already in state statute across the

country. Rep. Oliverson stated walk me through what does your criminal background check look like? I'm trying to understand how a guy like the one Ms. Collins described ends up working for one of your companies. Ms. Sirjane-Samples stated that I'm happy to offline go through the entire background process that we have. We use a third-party validator called Checkr, so it's a continuous background check on them. If this was the first time that he was an offender, obviously that wouldn't have shown up on the background check with him, but we do take sexual assault very seriously on the platform. I will tell you as soon as an allegation is made that comes through, there is immediately a hold on that driver's account until an investigation is done and completed, and they are not allowed to drive on the platform. So, we have continuous monitoring on this situation. Unfortunately, sexual assault is a problem in this country and in this world, and TNCs are not excluded from that.

Rep. Oliverson stated that I understand but I think they need a higher level of scrutiny just given the fact that you've put somebody in a very vulnerable position when they're in your car. I'm looking at this I'm not totally opposed to what you're trying to do, but the last thing I want is more headlines like this. And I need you to convince us that this is not going to open the door to sloppy background check stuff. It's not going to remove your liability in a situation where somebody commits a criminal act against another person. And I'm not convinced right now. Mr. Nail stated that just to clarify, I think the process that Ms. Sirjane-Samples described for Lyft is consistent with Uber's as well. The background checks are codified in your statutes. They are extensive background checks. We can show you examples of them. And again, the language that we're proposing around vicarious liability is not intended, and I believe that the language is correct right now, it would not in any way reduce our liability for either our actions or our inaction. Ms. Sirjane-Samples stated that nor does it reduce our requirements to complete those background checks to the full extent that we are doing today. It does not touch that process. Rep. Oliverson stated that I think that's the rub here. I think if you want to get these amendments passed, I think that's the bar you need to make sure we're all comfortable with is that we're not opening the door to more stories like this.

Sen. Jesse Bjorkman (AK) stated that just for some clarity, across the country there's not a uniform standard of whether TNC or delivery network company (DNC) drivers are employees or independent contractors. That is a point of significant debate across the country. Full disclosure, I've been running a bill in Alaska for Uber. They just pulled support for my bill yesterday. As we look at this issue generally, my concern is we had an accident over the summer in Alaska where somehow a driver was able to waive uninsured and underinsured motorist coverage with a passenger in the back seat. So, there's an accident, Uber gets hit by a drunk driver. Significant loss, very high medical bills. The uninsured motorist is at fault. You have no payer. I don't read in the model where it contemplates uninsured or underinsured motorist coverage, which is a problem. So I'm interested in seeing the model deal with that. The limit that had been proposed by a colleague of mine was very similar to the limit in the model at \$1 million, but somehow that was unacceptable to Uber. So as we look at the things that get said in forums like this and then the things that get done across the country, I think we're all not naive enough to realize that those things don't necessarily match up. But as we look at this, I think we need to be careful at changes we make, as Rep. Lehman said, to the P2 period as that has a significant implication on the DNC model act and how companies function under that as well. But I'm concerned with the underinsured and uninsured motorist coverage, and apparently Uber's opposition to that and it might be something to add to the model.

Rep. Meredith asked Mr. Passmore what would be the difference in the risk profile during the P2 part of a TNC versus the DNC coverage model? Mr. Passmore stated for TNC, you've got a driver who's accepted the ride and trying to get to the customer and if he doesn't get there on

time, he could lose the ride. In the DNC model, that delivery doesn't usually get canceled based on when you get there and things like that. So we think that the risk profile or the activity is definitely different in that period. Your typical auto policy has an exclusion for what's called a livery exclusion for holding yourself out for hire and in most cases that policy language is going to be triggered when you hold yourself out for hire, which is when you actually make yourself available to accept a ride on the app. Now, being available means a lot of things. You could be driving around or going to some places where there is a sporting event or near hotels to get a ride but once you've engaged, you are trying to get to a certain place. You have an objective to pick up your customer, and we think that's a difference because you're trying to get there before that cancels.

Rep. Meredith stated that I understand what you're saying related to that, but they're also engaged when they're in delivery phase. There's usually a time that they have said they're going to be there and have that delivered by. They're trying to meet that time or they're going to get bad reviews or or whatever. I think you have that same problem in both pieces of that. Mr. Passmore stated that there are some similarities there. We think it's a little bit different because you actually have a person sitting on the other end who could say, enough of this, I'm going to the other application. I'm going to do something else.

Rep. Sarge Pollock (KY) asked Mr. Nail to elaborate on Sen. Bjorkman's comments on uninsured and underinsured coverage because that's obviously an important segment. Mr. Nail stated that I can tell you what the model contemplated on that coverage which is that it should follow whatever the state law is for personal autos. If the state requires uninsured coverage, it should be carried by the TNC as well at the same state limits. If it's rejectable under your statutes, it's rejectable. That's what the model contemplated and that's what most of the states did. There were a handful of states that imposed a TNC specific much higher uninsured coverage limit and we did see very substantial costs associated with that. So we have worked over the last few years to try to bring those uninsured limits down to reflect more the model limits.

PRESENTATION ON PATHS TO AFFORDABILITY AND AVAILABILITY IN HOMEOWNERS INSURANCE

Sen. Theis stated that last on our agenda is a presentation on paths to affordability and availability in homeowners insurance. This issue is unfortunately one of the most talked about issues in the insurance marketplaces as several state insurance markets have been experiencing significant issues with their homeowners' insurance markets. As we can see in states like California and Alabama, there are measures that states can take to improve things. Today, we'll hear from our speakers who can offer up some solutions that states can take to better their homeowners markets and perhaps equally as important, offer up some things that states shouldn't do as well.

Fox Parker, Senior Director at the US Chamber of Commerce, thanked the Committee for the opportunity to speak and stated that I am delighted to be here to discuss a few high-level points from our white paper we published last November titled, The Path to Affordability and Availability in Homeowners Insurance. The chamber represents over 3 million businesses across the country and I can tell you that the stability of the homeowners insurance market is a top concern we hear from our members. Not just from our insurers, but from builders, realtors, lenders and small business owners whose livelihoods depend on a healthy housing market so this issue truly cuts across the entire economy. Across the country, constituents are feeling the

pinch of rising premiums and in some regions, the lack of available coverage. This a dual crisis of affordability and availability and I want to acknowledge that this personal for people. We're talking about families who are seeing rising premiums or getting non-renewal notices and scrambling to find coverage. That's real and it is urgent.

But as our white paper outlines, the solution isn't artificially capping rates. We cannot regulate our way to lower premiums. History has shown us that when we try, insurers exit markets, consumers are left with fewer options and often end up in state residual markets that provide less coverage at a higher cost. True affordability and availability can only be achieved by reducing the underlying risk itself. If we reduce the risk, we stabilize markets. Carriers compete and consumers benefit. Let's look at what's driving up the baseline cost of that risk. Even before a storm hits, the economics of rebuilding have changed drastically. Inflation and the cost of materials are massive drivers of affordability issues. Post-COVID, we saw costs of construction materials like lumber double at times, alongside severe skilled labor shortages. And it just wasn't lumber. Concrete, roofing materials, electrical and electrical components, virtually every input in the construction supply chain saw significant price increases. On top of that, the labor market tightened considerably. Skilled tradespeople were already in short supply before the pandemic, and that gap has only widened, driving up the cost and timeline of repairs and rebuilds.

Insurance is a lagging indicator, and years after historic inflation, it has become clear that rate increases in some areas were necessary. The graph here illustrates how inflation disproportionately impacts the insurance industry. As you can see, the consumer price index for all items from 2020 to 2023 was just over 19%. We all hear about the rising cost of eggs, milk, beef. But look at how much higher construction services and materials are compared to the average cost of all items. Double and nearly double. That gap is critical to understanding why premiums have moved the way they have. When the cost to repair a home jumps by 30 to 40%, insurance premiums eventually have to reflect those economic realities to ensure claims can be paid. An insurer that doesn't adjust for those costs simply cannot fulfill its promises to policyholders when disaster strikes. While economic inflation is national, the physical drivers of costs are highly regional. A policy that works for mitigating wildfire risk in the West is fundamentally different from addressing convective storms in the Midwest or hurricanes in the Southeast. And we are seeing risk patterns emerge as well. States that historically didn't worry about certain perils are now facing them with increased frequency and severity. Because costs are driven regionally, it will take different tailored solutions for different states.

This is exactly why state-based regulation and the work you all do here at NCOIL is so vital. A one size fits all federal approach simply cannot account for the diverse risk across the country. As you can see from this map of Florida, populations are moving into higher risk areas where people were not living 20, 30, 40, 50 years ago. Coastal development has exploded and with it concentration of insured value in catastrophic zones. Parts of Oklahoma have always experienced significant hail. The difference now is that people are living in those areas and roofs are now in the path of those hailstorms. More people in harm's way means more exposure, more claims, and ultimately higher costs for everyone in the market. While we need to address the physical and economic risks, we also have to recognize regulatory burdens are real. When rate adjustments are artificially delayed during inflationary periods, insurers mathematically are forced to pull back, hurting consumers in the long run. When an insurer withdraws from a market, it means fewer choices for homeowners, less competition, and often migration for policyholders to state-run plans of last resort, which typically offer narrower coverage.

However, this challenge presents an opportunity. States have the power to carefully evaluate their specific risk profiles and institute smart policy frameworks. By modernizing rate approval processes and allowing for accurate risk-based pricing, states can attract insurers back to their markets. We've seen this work and states have taken proactive steps to streamline their regulatory processes. Those states have seen increased carrier participation, and more competitive offerings for consumers. The goal should be encouraging consumers towards the private market because the private market is well positioned to understand and accurately manage complex risk. Private insurers invest heavily on data modeling and underwriting expertise when they're allowed to operate in a fair regulatory environment and consumers in turn get better products, better service and more options. One of the most effective ways to lower the underlying risk is through physical mitigation. Stronger homes equal fewer claims, which equals stabilized premiums. When we build stronger homes, homes survive. Look at Alabama and Kentucky as prime examples. Alabama's program to retrofit homes with fortified roofs has proven incredibly successful at mitigating damage from severe weather and actively reducing claims costs and stabilizing the local market.

We've seen homes with fortified roofs standing virtually untouched next to homes that were severely damaged by the same storm, and that is powerful evidence. Kentucky has similarly embraced enhanced building codes and partnerships to combat tornado and wind risk. These states are proving that resiliency pays off not just in saved lives, but in real economic terms. The Chamber and the US Chamber Foundation have done significant work on resiliency. Our research paper, *The Preparedness Payoff*, finds that for every \$1 spent on pre disaster mitigation, a community will save \$13 in economic costs, damages and cleanups. Think about that return: 13 to 1. Any person would take that that type of payback. While initial costs of mitigation and resiliency may seem high, the money saved on recovery and the preservation of economic activity will more than pay for those investments. Beyond the dollar figure, resilient communities recover faster, keep businesses open and keep families in their homes. I want to commend NCOIL's leadership on this point. The NCOIL Strengthen Homes Model Law is exactly the kind of forward-thinking policy the Chamber supports. By establishing a model framework for state grant programs to help homeowners retrofit their properties, NCOIL is handing states a blueprint to directly reduce risk. These grant programs are especially important for lower and middle income homeowners who want to protect their homes but may not have the upfront capital to invest in retrofits on their own. If broadly adopted, this model act can help stabilize insurance markets across the country. The chamber also supports building more resilient communities alongside home retrofits to compound the protections for homeowners and businesses. When we pair stronger individual homes with resilient infrastructure, better drainage, hardened utilities, updated community building codes, the cumulative effect on risk reduction is substantial.

Finally, we cannot talk about cost drivers without talking about legal system abuse. Excessive litigation is a man made disaster that drives up premiums for everyone. Unlike a hurricane or wildfire, this cost driver is entirely within our power to fix. We have seen how tort reform benefits the marketplace, most notably in Florida. After facing a truly dire market crisis fueled by litigation, where Florida accounted for a disproportionate share of the nation's homeowners insurance lawsuits despite having a fraction of its total claims, Florida legislators passed comprehensive reforms targeting fee multipliers and assignment of benefit abuse. Today we are seeing insurers re-enter the Florida market and premium rates decrease. This is a direct result of the legislative action and is a model worth studying. The chamber is also incredibly optimistic that we will see similar market improvements in Georgia following their recent and ongoing tort reform efforts.

The chamber spends a considerable amount of time on legal-related cost drivers. The cost of lawsuits, specifically tort cases, are massive and rising. According to the latest research from my colleagues at the Chamber's Institute of Legal Reform, costs and compensation in the tort system amounted to \$529 billion in 2022. That's the equivalent of 2.1% of GDP and equates to \$4,200 per American household. That is a hidden tax on every American family and if current trends continue, overall tort costs will rise to \$900 billion by 2030. That trajectory is simply unsustainable, and it underscores why meaningful tort reform must be part of every conversation in every state. In conclusion, everyone here knows that the challenges in property and casualty insurance are complex but there are common sense solutions available to your respective states. The three pillars we discussed today, physical resilience, sensible regulatory flexibility, and meaningful tort reform are not theoretical. They are proven strategies that are already working across the country. By championing these approaches, legislatures can promote affordability and availability for their constituents. The US Chamber looks forward to partnering with you in upcoming legislative sessions to build stronger, more resilient state insurance markets and we are ready to bring our resources, research and national network to support your efforts. I have a QR code and you can scan that and dive deeper into the white paper including additional data case studies and policy principles.

Mr. Passmore thanked the committee for the opportunity to talk about some trends and cost drivers that impact homeowners insurance as well as some solutions. The good news is that homeowners rate increases are significantly slowing. The chart on the left shows that homeowners insurance rate increases spiked following the record inflation of 2022, slowed slightly in 2024 but still remained at double digit levels, then dropped back down to an average of 6% last year. The early data that we're hearing for 2026 suggests that rate increases may slow even further, although probably still at a slightly higher level than inflation or median wage increases. The right graph is the cost of replacing buildings in the U.S. which is the primary cost driver for homeowners. You can see that it spiked in the early 2020s, but the increases are flattening somewhat in 2023 and 2024, and probably even more in 2025. But stability doesn't mean highly profitable. Over the long term, homeowners insurance has generated relatively modest returns, often below the cost of capital. Capital levels are rebuilding, reinsurance capacity is improving, and pricing has become more competitive which means availability pressures are easing, but affordability remains the longer-term challenge for consumers and policymakers. Weather risk remains the biggest single source of uncertainty, including discussion around a potential super El Nino. That doesn't necessarily mean more losses, but it does mean shifting risks across regions as we see different kinds of events in different areas.

And the takeaway is that the industry is moving towards stability, but volatility driven by extreme weather isn't going away. If we narrow the view to just the last 10 years, we see that insurers had a cumulative underwriting loss of just a little bit more than \$47 billion. The industry experienced a profit in 2024, though not enough to offset steeper losses in those immediate prior years. This has led to an average return on net worth for the industry that's much lower than for the broader economy, and the results are even worse for homeowners insurance, raising red flags for investors. And then the chart on the right, you'll see green is the Fortune All Industry Average, which is a little bit over 14%. You can see that yellow is the countrywide property casualty insurance average, which is around 6%, and then the homeowners countrywide is on the red. But that kind of return on capital is what's causing market availability imbalances. There are three tiers of cost drivers for homeowners insurance. First is macroeconomic pressures. Economic growth and inflation are our primary cost drivers, both of which have slowed although have not started to decline. Tariffs, labor supply impacts, oil prices, all those things affect the cost of building materials and labor. The second bucket is our demographic shifts into hurricane and fire-prone areas. Those continue but are slowing

somewhat. Climate change continues, although we were fortunate to avoid catastrophic hurricanes this year. The third bucket can be what we could categorize as government risk. That includes coverage mandates and regulatory rate suppression, but legal system abuse is the flashing danger signal, as you heard from the chamber, with contractor liability losses also directly impacting building costs.

Drilling down a little bit on the cost trends, the left graph shows the natural catastrophe losses roughly doubling over the last decade. The right graph shows the cost of replacing structures in use in the US, also more than doubling. While the weather events are more severe, the biggest driver is homes are becoming larger and far more expensive to replace. Inflation escalated to 9.1% in 2022. That was a 40-year record. Building material and labor costs escalated far more than inflation, roughly 39% over the last five years, and those costs feed directly into homeowners insurance rates. California experienced some of the most severe weather events this year, actually over the last 10 years, ranking only behind Texas and Florida for losses from wildfires, storms, droughts and floods. And even excluding the most recent wildfire, losses have increased dramatically due to inflation, as population shifts into more risky areas and the effects of climate change are felt. This slide is from Verisk, and it illustrates what they call habitational, which is homeowners and commercial property insurance premiums per location and that's expected to grow approximately 9% between 2025 and 2028. You can see the growth projections vary widely by state, with the highest increases in green.

Contractors liability also varies significantly across the states, with the highest severity in states such as California, New York and Florida. Loss ratios for contractor-related liability lines are running significantly higher than historical norms and are a major drag on housing affordability. Availability pressures are driven by a simple supply and demand imbalance. Demand is increasing due to higher rebuilding values, demographic growth, inflation, worsening weather and legal system abuse. Supplies are decreasing because losses have been outpacing rates and capital has contracted, and the returns have been too low to attract new investment. The best long-term solution to reduce homeowners insurance costs is stronger mitigation and resiliency and insurers have been working with policymakers, supporting infrastructure investments and stronger building codes, funding research, and advocating for financial support to improve resilience. Property casualty insurers fund the Insurance Institute for Business and Home Safety (IBHS), which developed the Fortified building standards. Those programs strengthen buildings through improved roofing, load paths and construction practices, and early results are showing meaningful loss reduction. As Mr. Parker mentioned, Alabama has led the nation in fortified homes. The Alabama Insurance Department did a study following Hurricane Sally and found that homes built to fortified standards experienced between 66% and 71% lower losses than those that did not and homes with fortified roofs performed over 50% better compared to non-designated homes. These results are a powerful testament to the benefits of mitigation.

You heard Mr. Parker talk about legal system abuse. Florida took steps to address legal system abuse head on through their tort reform that they passed recently. Claims that reform harmed consumers are contradicted by improved rate stability, affordability, and market availability. Since the passage of Florida's legal reforms, insurers have reduced rates, litigation filings are down sharply, and new insurers have entered the marketplace. And Citizens, which is the state-run insurer of last resort in Florida, has been depopulating. So, these reforms are producing real consumer benefits. Florida has seen some of the strongest homeowner insurance rates improvements in the nation following reforms. Litigation has declined, rates have stabilized and turned negative, and affordability has improved meaningfully. On, this chart, you'll see the homeowners rate increase slide that I showed you in the beginning with the red is the

countrywide average, and the blue is Florida. You can see the dramatic improvement in the reduced number of rate changes that have occurred since those reforms took place.

Paul Martin, VP of State and Policy Affairs at the National Association of Mutual Insurance Companies (NAMIC) thanked the committee for the opportunity to speak and stated that I'm going to hit on some very high level points as we've had two excellent presentations ahead of mine. This is the chart. When we talk about loss ratios, this what we talk about. The loss ratios for the last 25 years have averaged one and 2.7. That means for every \$1 of premium that has come in nationwide for homeowners insurance, companies have paid out almost \$1.30. So, this a challenging market, challenging line of business to do in the U.S. Why roof age matters. We saw some legislation from a number of states this year regarding the ability of insurance companies to use roof age in underwriting. Our friends at IBHS have done some research, and they determined once the asphalt shingle roof hits somewhere between eight and 10 years old, it becomes much more susceptible to damage and because the roof-related damage accounts for somewhere between 70% and 90% of insured losses, an aging roof stock in the country will drive higher claims costs. If your 40-year warranty on your roof performs like a 10-year-old roof, the warranty is a marketing document. The warranty is about the workmanship creating the shingle. It is not a guarantee that the roof will last those number of years. So I think policymakers need to remember that as we go through and discuss this.

We all know what a 100-year event is. It's an event that has a 1% chance of happening in any given year but there is this thing called cumulative probabilities that we need to keep in mind. Because if the 100 year event doesn't happen this year, it just means there is a greater chance next year it will happen. So, let's look at this slide a little bit more. This is from our friends at the National Weather Service in New Orleans, it talks about flood risk. It doesn't matter what the peril is, the math is the same. What we hear from you when we have conversations is, "We want insurance companies to devote capital long-term to our state." So, what does that look like? Well, the 30-year risk: if you take a 30-year mortgage, there is a 26% chance that home during the life of the 30-year mortgage will have a 100 year event. That is what the insurance company is signing up for when they agree to start insuring a home. And hopefully, that policyholder stays with the insurance company for 30 years. Add to that the volatility that we're seeing in these 100 year events. In the last 25 years, the North Carolina coast has had nine 100 or 1,000-year events. According to ABC News, in wildfire-prone states, the 100 year, particularly in states like Colorado and New Mexico, are now happening every five years.

Every day that passes without one of these events just means the odds that event will occur increase every single day. I want to draw your attention to the far left side of the slide. That's garden variety inflation over the last five years. Look at asphalt shingles. Asphalt shingles is almost twice garden variety inflation. These insurance companies sitting behind me that write property, they spent a lot of money on shingles, and that price has gone up dramatically since the pandemic. One of the challenges we see and one of the challenges we hear about is the fact that median household incomes are not growing as fast as homeowners premiums. That is absolutely true. Part of it is because wages just don't grow as fast. Part of it is because asphalt shingles now cost 44% more than they did five years ago. These are the real drivers and the real things that are impacting homeowners. What is not the problem? We've seen a number of bills across the country this year for states that want to regulate rates more than they already are. We've seen legislation that gives Attorney Generals the ability to intervene in rate filings and rate discussions and rate hearings with regulators. We've seen more restrictions on underwriting freedom and tools. We've seen legislation that would require flood coverage under homeowners policies. Making it harder and more expensive to write insurance in your state will not make insurance more affordable, nor more available.

Now, I know you're not federal legislators, but sometimes they listen to you more than they listen to us. That is why it's so critical when you talk to your federal colleagues about why we need to fund the Federal Emergency Management Agency (FEMA) and why we need to fund the Weather Service. A lot of insurance companies use data to calculate premiums, and when that data is not available, it is much more difficult to get an actuarially precise rate set. When you defund the weather service today, you expand the disaster relief budget tomorrow. That is the message we are giving federal legislators. You heard yesterday about the big National Association Insurance Commissioners (NAIC) data call coming up. I'm going to tell you what that report's going to say. Homeowners' insurers are not making money year over year. They are working to stay ahead of a more dangerous, more expensive world. And we're now seeing more billion dollar events than we have in the years prior.

The three R's that this report will generate. The story is about roofs, rebuilding cost and raging weather. That is what we think this report is going to show. So, over the last 25 years, insurers have paid out basically every dollar they've taken in in premium for homeowners. More government regulation does not mean more affordability and availability. Roof age matters. Shingles don't last as long as we'd like. Each day is a day closer to the next 100 year event we'll have this decade. And when the NAIC data call comes out and supports what we've been saying, what happens then? What are we going to do with that information? I think those are the conversations we need to be having.

The challenge in two sentences. Frequency of storms, rising claim costs, inflation drive premiums and premiums are outpacing real wage growth. At some point, these problems stop being insurance problems and they start being societal problems. Folks, we can't fix the societal problems. We can't fix inflation. We can't fix the weather. These are problems that are beyond our control. We have to work on the things we can control. So, what are those things? Well, at the federal level, we need FEMA funding for pre-disaster mitigation. We need the Department of Interior to work, particularly west of the Rockies, in our forest to make sure that we're doing everything we can to prevent these large wildfires. We need to be utilizing the tax code and HUD regulations to build better, and we need to be promoting more innovative research on building materials. And at the state level, what can we do? Same thing we've been telling you. Better building codes, better land use codes and enforcement. Identifying the cost drivers, especially within property insurance litigation, and identifying the rate underwriting and regulatory friction points and addressing those as well.

Rep. Matt Morgan (TX) stated that I heard a lot about the increased cost of building materials which I see when I go to Home Depot, but that doesn't actually translate into claims. And I say that because I've been in claims for 25 years in this industry, so I've written estimates forever. And if you use the Xactimate software, which people use for writing homeowners' claims damages for roofs and stuff, and I have actually done this and took the exact same home wrote the exact same estimate and changed the pricing model from a decade ago to today on a standard home, the estimate has changed very little in a decade on what the insurance company would pay a decade ago to what they'll pay today. So, I do agree that materials are going up and I do agree that shingles are going up and I 100% agree that after about eight to ten years, asphalt shingle roofs become significantly more susceptible to losses, and we need to work on fortifying things. But I think some of you that are doing research on this are skipping that point and should look at Xactimate data sets when you're actually making your analysis on what's driving the cost of insurance because I don't think your data is actually encompassing what you're trying to encompass. You're just looking at raw numbers of information not actually what's being paid for claims, and that's what would drive the cost.

Mr. Passmore stated that it sounds like you might be more familiar with the Xactimate tool than I am, but my understanding is that the pricing comes from the marketplace and that's updated as we go. So I need to do a little bit more research myself to see why that would be the case, and I don't know whether it's a matter of updating the software. Structurally, you still have to replace shingles. You still have to replace, in some cases, underlayment roof material sheathing all that kind of stuff. So, the number of steps and things you have to do are there but the cost of those different elements has clearly gone up and I guess I'm not understanding why it shouldn't be reflected in the Xactimate pricing. Rep. Morgan stated that I literally wrote the exact same estimate and just changed the pricing because you can change what month, what year of the pricing system in Xactimate and it literally went up a de minimis amount over a decade. So, I suggest you guys look at that when you're actually making analysis.

Rep. Brian Lampton (OH) stated that I am an insurance agent and kind of tired of delivering huge rate increases on homeowners. One of the emphasis points from my carriers are insurance to value. It seems like it's a never-ending battle. Are they making progress in that area? Mr. Martin stated I think the short answer is yes. Invariably, what happens is that when companies are attempting to calculate the insured to value, the quote process is 15, 30 minutes. The claims process is hours if not days and so the more time you spend in getting the insured to value right on the front end, the more accurate it will be. What we find is that consumers oftentimes don't want to spend the time. Understandably so. I'm not being critical of the consumer. It's just the reality and that's what we're trying to fix. I think what we're seeing is that as these claims become more frequent and more severe, good news, bad news is we get more data and when we get more data, I think the industry is getting better at calculating that more rapidly than perhaps we were years ago.

Sen. Bjorkman stated that I think one of the big drivers of more legislation and mandates from insurance really stems from a lack of clear communication from insurers to consumers about what they should expect from their policy and how it will perform. We saw significant angst when we have flooding events and insureds need a denial in order to apply for FEMA funding and then they make a claim and get a denial and then they're dropped by their insurer. That creates an outcry from the public because of what many people would see as a negative or bad business practice from. Also, when we have insurers increasing to non-renew policies due to X, Y, or Z reason, then you have outcry from the public saying, government, we want you to regulate business because we believe that business is treating us unfairly. I'm not sure how to balance that as a policymaker. If I have a constituent coming to me saying, "Hey, my garage burned down with all my stuff in it a year ago, and my insurance company still hasn't paid." As policymakers, what would you like us to do? If insurance companies aren't following the laws and we need tighter guidelines and better sideboards for insurance policies and insurers to provide a benefit that people have paid for. It's not going to result in better outcomes if you have homeowners who pay for a policy for decades and then they make two claims in three years and their insurance company drops their coverage. And oh, by the way, the claims that they made might have been worth maybe 50% of what they paid in premiums over that same period of time. That type of activity by insurance companies begets more legislative oversight and more laws that are going to negatively impact your market. So, there has to be a balance there somewhere.

Mr. Parker stated that I would just say on the consumer education piece of it, I completely agree with you. I think consumers need to understand how these policies work and the chamber is starting to think about how we can kind of be the leading financial education voice around insurance. But I think a lot of the frustration comes from consumers not fully understanding their insurance products. So, I fully agree with that.

Sen. Beverly Gossage (KS) stated that this is regarding proximity to a fire station. I've been in my home for 44 years. The first 41 years I had the same carrier, no issues. Bad hailstorm, used the policy one time and to my surprise I received my statement from my mortgage company. And I'm like, what has happened? And they said you need to talk to your insurance company. Your rate more than doubled for your homeowners. And this was years after the hailstorm. When I called, they said, "Oh, I don't know why. Let me look it up." "Oh, it's because you're now in zone 10." Okay, well my house hasn't moved. So, what does that mean I'm in zone 10? Yeah, I don't know. We have this system that we use. When I went to the fire station, they said, Senator, it looks to me like you should be in zone three. I don't know what they're talking about. I live in the country three miles from two small towns. Three different fire stations would respond to my home if I called and said "I have a fire." And what I was told was this - all of these insurance companies use the same system, and so now this insurance company has moved over to that system. The only one that doesn't is State Farm. You may want to call them. I called State Farm and saved a lot of money. This is not a State Farm commercial. But I'm just saying, what is this system? And I think it would help lower rates, we're talking about affordability, instead of just looking at a system or some artificial intelligence program, to actually look at a house hasn't changed and still has three fire departments that can go there.

Mr. Martin stated that the system you're referring to is the ISO system. Fire departments are rated generally on a scale of one to ten, depending on whether or not they're volunteers or full or part volunteers or full time paid and what type of equipment they have. That is because those things factor in response times. Those things factor in terms of how much damage would be done to a home after a fire. It sounds like what you did was you shopped around and you save money when you shop around and the industry spends lots of money encouraging people to shop around to get a better deal. That is why we think a strong marketplace is so necessary, so that people can, as their life situation changes and as other things change, they can go out and get the coverage they need, maybe from a different company than they do business with right now.

Sen. Gossage stated that I was only able to shop one other carrier. If everybody else is using this same program, that's a problem, right? Doesn't that become a monopoly on this particular system? Mr. Martin stated that I don't know that we'd call it a monopoly because there's no reason why other vendors couldn't do the same thing. Somebody else could also set it up. But that is a system that, you know, you spend a lot of money to figure out what the risks are associated with any given house in any given jurisdiction because of whatever fire department they have. I will tell you from personal experience that just because you improve your fire rating, I live in Austin Texas. I live directly across the street from my fire station. That's how close my house is. We went from ISO two to ISO one. Number one is the best. And the city council people were like, well, why didn't my homeowner's premiums go down? Because there's not a rate delta associated from going from ISO two to ISO one.

ADJOURNMENT

Hearing no further business, upon a motion made by Sen. Boyd and seconded by Rep. Lehman, the Committee adjourned at 10:45 a.m.