NATIONAL COUNCIL OF INSURANCE LEGISLATORS
NCOIL-NAIC DIALOGUE COMMITTEE
2026 NCOIL SUMMER MEETING – BOSTON, MASSACHUSETTS
JULY 17, 2026
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) NCOIL – NAIC Dialogue Committee met at The Westin Copley Place Boston Hotel in Boston, MA on Friday, July 17, 2026 at 10:45 a.m.

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

Other members of the Committee present were:

Sen. Justing Boyd, AR
Rep. Stephen Meskers, CT
Rep. Peggy Mayfield, IN
Sen. Jason Howell, KY
Rep. Michael Sarge Pollock, KY
Sen. Kirk Talbot, LA
Rep. David LeBoeuf, MA
Rep. Brenda Carter, MI
Sen. Lana Theis, MI
Sen. Paul Utke, MN
Rep. Ellyn Hefner, OK
Sen. Mark Mann, OK
Rep. Tom Oliverson, MD, TX
Rep. Jim Dunnigan, UT
Del. Walter Hall, WV

Other legislators present were:

Rep. Zack Gramlich, AR
Sen. Tim Grayson, CA
Rep. Steven Meskers, CT
Rep. Kerry Wood, CT
Rep. Ben Fuhriman, ID
Sen. Willie Preston, IL
Rep. Mike Meredith, KY
Rep. Shaun Mena, LA
Rep. John Illg, LA
Rep. Dennis Bamburg, LA
Rep. Aimee Freeman, LA
Rep. Michael Bayham, LA
Rep. Poppy Arford, ME
Rep. Michelle Boyer, ME
Rep. Rolf Olsen, ME
Rep. Robert Foley, ME
Rep. Pamela Guzzone, MD
Sen. Mark Huizenga, MI
Rep. Joseph C. Thomas, MS
Sen. William Gannon, NH
Sen. Tim McGough, NH
Rep. Julie Miles, NH
Asw. Pamela Hunter, NY
Sen. George Lang, OH
Rep. Kevin Norwood, OK
Rep. Matt Morgan, TX
Sen. Cale Case, WY
Rep. Pepper Ottman, 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. Steven Meskers (CT) 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. Justin Boyd (AR) and seconded by Sen. Utke, the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's April 17, 2026 meeting.

INTRODUCTORY REMARKS

Rep. Jordan stated before we dive into today's agenda I just want to thank everyone for their participation and I want to acknowledge the great turnout of commissioners we have at this meeting. On behalf of NCOIL, it is truly a pleasure to work with you as we continue to strengthen our partnership. Your engagement and collaboration here is a big part of the progress that we've all made together over the years. Throughout this year, we've had several positive discussions and interactions with many of you and the NAIC in general and we certainly look forward to today's discussion. Rep. Jordan asked everyone to introduce themselves: North Carolina Commissioner Mike Causey, Oklahoma Commissioner Glen Mulready (OK), Montana Commissioner James Brown, Rhode Island Director and NAIC President-Elect Elizabeth Dwyer, Washington Commissioner Patty Kuderer, Texas Commissioner Amanda Crawford, Idaho Director Dean Cameron, New Mexico Superintendent Alice Kane, and Florida Commissioner Mike Yaworsky.

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

Rep. Edmond Jordan stated first, we're going to hear an update on the U.S. Treasury meetings with insurance regulators on private credit markets. As you know, when we met last in April, the U.S. Treasury announced that it would be meeting with insurance regulators regarding the growth of private credit in the insurance marketplace. We understand since that time, those meetings have taken place, and we're hoping you can brief us on how those meetings went and what was discussed and also what Treasury's support was like for the state-based system of insurance. To us at NCOIL, it seemed a bit odd and concerning that in Treasury's announcement of the meetings, it was seeking to be somewhat of an authority as it relates to insurance, despite having no direct regulatory authority over insurance.

Dir. Dwyer stated our meeting with Treasury was quite good and actually very supportive of state regulation. We had some of the same concerns as you, but they were extremely supportive. We went in May and there were over 25 commissioners there to discuss the growing role of private credit in the insurance sector and how state regulators oversee these investments. Treasury is looking at private credit in many contexts, and their consultation with us was specific to the insurance industry but as you're aware, private credit is a rapidly growing market for loans made outside of traditional banks. That includes direct lending, private placement, and other forms of non-bank financing. It is certainly not limited to insurers, but some insurers, particularly life insurers, have increasingly invested in these assets because they can offer attractive long-term returns and we as insurance regulators have been very closely watching this development, and we were happy to share our experiences and what state-based regulation is doing in these areas with Treasury.

The discussions focused on offshore reinsurance, risk-based capital, investment oversight, and relationships between insurers and affiliated asset managers. It was primarily information sharing. It gave us an opportunity to explain how state solvency regulation works in practice and

how regulators are responding to the changes in investment strategies. Following the meeting, Treasury released a public statement saying the administration is a strong supporter of the state-based system, and that they appreciate the work that we all do in our states to protect consumers and look forward to continued engagement. We found it to be a very positive meeting. We have ongoing discussions with them. I am actually the NAIC representative to the Financial Stability Oversight Council (FSOC), which met earlier this week. And so we continue to have an ongoing dialogue on these issues. We did not receive any criticism of how legislators and regulators are approaching these issues so we're going to continue on course.

Rep. Stephen Meskers (CT) stated yesterday we had a presentation by an asset management firm about private credit markets, suggesting all is good and you can't find a better product basically. Now one of the assertions was, and I guess the asset management industry has supposedly a fiduciary responsibility, and the investment banks only have a suitability assessment in the sale of the product, but I'm not sure that distinction had any value during the mortgage meltdown. And given those concerns and valuation, are you looking at both third-party guarantees limits on the amount of exposure to private credit? How are you going to hedge valuation risks for the insurance industry when they buy things that you can basically check into, but can't check out of?

Dir. Dwyer stated we have a domestic deference form of financial solvency regulation. In other words, I focus on my domestic companies as does every other commissioner here. And if you've seen one investment, you've seen one investment. So, we are focused on what our companies are doing specifically. We're looking at what our individual companies are investing in and how does that affect the financial solvency of that company. We are not accepting any platitudes of this good or this bad. We are looking at individual investments, and the NAIC actually helps all of us through the Securities Valuation Office (SVO), which is located in New York, and they look at individual investments. So, it's not a one-size-fits-all. If it was, we'd be entering into problems. Each individual regulator is looking at the overall investments of their domestic companies, the concentration risk, the type of investments and we are continuing as the market moves to adjust our regulatory involvement.

Rep. Jordan asked if the companies are being properly stress tested? Dir. Dwyer stated I'm not going to take anything on the private equity company itself, but the investment of insurers in private equity, I believe that we are addressing those investments appropriately on an individual insurance company basis.

DISCUSSION ON NAIC'S NATURAL CATASTROPHE AND RESILLIENCE TASK FORCE (EX) AND NAIC DEVELOPMENT OF MODEL LAW ON MITIGATION GRANT PROGRAMS

Rep. Jordan stated next up for discussion is the NAIC's natural catastrophe risk and resilience task force and the NAIC's development of a model law on mitigation grant programs. Natural catastrophe risk and resilience is an important topic and coming from Louisiana, I can certainly attest to that. We've done a lot of work as you are aware dealing with fortified roofs. We're hoping that you can provide us with an update on what the task force is working on in this area, and specifically, we'd like to hear about the NAIC's development of a model law on mitigation grant programs.

Cmsr. Mulready stated we too in Oklahoma have a program. There are eight states with programs. Let me start first with the NAIC task force, the NAIC Catastrophe Risk and Resilience Task Force is front and center. The new focus is on mitigation. We have two working groups that have been working on that, the pre-disaster mitigation working group, and the risk modeling

working group, for which I am the Vice Chair. We are focused on improving how regulators assess and communicate catastrophe risk while promoting and talking about mitigation and resilience efforts to help consumers as well. The current work includes evaluating catastrophe models which are estimating potential losses for natural disasters, developing tools and some best practices. One project is pre-disaster planning for wind events where there is a mapping feature showing data where we could hover a certain area where we could see where that is most likely to impact. And then on the post-disaster we get exact real-time data to know exactly how many homes are impacted, what companies they're with, etc. For mitigation, NCOIL passed the model act that Oklahoma had enacted which was based on Alabama's law which had a very successful program. I think now at this stage, nationwide, 70,000 homes have been fortified.

Oklahoma is a little bit behind that, but we've got a group working on a model act at NAIC and really the idea is to enhance or update the model act that was passed here. And so we are looking forward to collaborating and really hoping to bring those in sync. I think the main efforts within that model act are to make some of those things more agnostic. So, whether that peril is wind or whether that's hail or whether that's fire or even flood or something else that might come along, it would be sort of peril agnostic. Also, within that model act, it's very specific to Insurance Business and Home Safety (IBHS) standards that most programs in those eight states are utilizing so we want to make that a little more agnostic too that as other programs develop or in some of the certain areas where that may not work, to try to give more freedom and flexibility. And then as well on the funding side, different states have used different models of how to fund like through an appropriation or I know when we did ours, it was more of a when I went to the legislature, the first question they would ask me was, "how much money do you need?" And my response was always, "I don't need money; I just need permission." We were utilizing leftover funds to fund mitigation. Oklahoma has a fund of about $10 million that we're utilizing. But bottom line, we're just hoping to give some more flexibility in how those are funded, whether that's through grants or as I mentioned this morning in the breakfast meeting, talking about the Federal Emergency Management Agency (FEMA) Building Resilient Infrastructure and Communities (BRIC) program, which are federal funds which we understand are going away, but trying to just make sure that folks have all the options in front of them with a little more flexibility, but that will be exposed at our August meeting in Columbus for public comment. And then the idea is to get all comments and piece that together and hopefully and ideally with some of you folks to figure out how we could kind of sync those up and then bring that before our executive committee at our fall meeting at the end of November.

Rep. Jordan stated I appreciate that and I think it gives us some comfort to know that we're working together and collaborating and trying to sync those and trying to make one rather than having two separate model laws that might differ in some ways. So, we certainly appreciate that.

DISCUSSION ON NAIC'S SECURITY INCIDENT

Rep. Jordan stated that next on our agenda is a discussion on the NAIC's recent security incident. We understand that last month, the NAIC experienced a security incident where unauthorized access was obtained to data that the NAIC was holding. First, we certainly hope that things have calmed down a bit for you, and we had a conversation on this topic this morning. Going through something like that must be stressful, but can you provide us with some details on the incident, starting with when exactly it happened, what data was accessed, and what the timeline was like for rectifying everything?

Dir. Dwyer stated, unfortunately, it's not if but it's when you are breached, and the NAIC experienced a cybersecurity event. It was not a targeted attack to the NAIC. It was actually a vulnerability in Oracle's Peoplesoft, which the NAIC was using for internal financial information. The first vulnerability was noticed, and the unauthorized access was noticed on June 11th, but it did not reach a National Institute of Standards and Technology (NIST) security event at that time. Companies get a lot of these potential unauthorized access events but there are certain criteria that once it rises to those criteria, that's when there is the trigger is to notify people. That is also true of the insurers that we regulate. When it reaches the NIST level for notification, we give insurers I believe 72 hours after that to notify. That trigger was determined on June 13th, and within 48 hours we notified the public.

We immediately started looking at what data was involved and how broad was the unauthorized access. Unfortunately, the bad actor put out information that the access was much broader than it actually was. The access we have found was limited to financial data, which is actually already public, and some rating organization data that goes to our SVO. We have been working with all of the companies who's data was implicated and the rating organizations, and just about everything is back up at this point. What was not involved was any personally identifiable information of anyone, whether it be NAIC employees or anyone that is licensed by the states and by their state insurance departments. Also, no confidential data of insurers was implicated. Our Systems for Electronic Rates & Forms Filing (SERFF) system was not implicated. Neither were the National Insurance Producer Registry (NIPR) and State Based Systems (SBS), which both contain producer information. So, in addition to the fact that the NAIC has a pretty robust state-of-the-art technology which is SOC compliant, we are lucky enough to have Cmsr. Crawford with us, who was most recently a Chief Information Officer. So, in addition to the experts we have on the NAIC staff, we also have her to consult with us, which I really appreciate because she knows all of the terminology.

Cmsr. Crawford stated just to add a little color on my prior role, for the previous seven years, as I've only been in this role five months, I ran Texas's Department of Information Resources, Texas's technology agency, having operational responsibility over technology and cybersecurity matters for the state. So unfortunately, I am familiar with incidents like this and their impact on entities. And so understandably, as you all can imagine, when I heard news of this, I paid a lot of attention to it and was very interested in the response of NAIC. To add more color around what this is, this particular threat actor is well known. It's a criminal organization. They are full-time engaged to seek out and exploit vulnerabilities. This particular one I think was mentioned is what's called zero day exploit. So essentially, that means it's new, not known, and not tested before. And so, this bad actor takes advantage of those when they're discovered, and then they do something that would essentially be equated to a "spray and pray" where they're just trying to hit targets of opportunity. And we know that there were others that were impacted. And so, as was mentioned earlier, unfortunately, because of the world we live in, it's not a matter of if, but it's when, and it's how you're able to respond to that. So, the tools that the NAIC had in place to be able to provide adequate security protection because cybersecurity not only is it a team sport, but it is a sport that requires multiple levels of defense and one of the defensive tools that the NAIC employs is something that probably your organizations do as well, and if they don't, you should. It's an EDR or endpoint detection response technology that goes out to detect the kind of behaviors that you would see when there is an intrusion and it immediately detects it and shuts it down to be able to isolate and prevent spread.

So, the tools worked, which is a good thing. The other thing I think just to put into context here is that this is a criminal act. It's a criminal activity that happened by a bad actor and this is what they do all day long is try to exploit these vulnerabilities to get data, to make money and profit

off of it. And when those criminal acts happen, as the victim of a criminal act, you unfortunately, in a cybersecurity incident, not only are you the victim, but you are also the first responder. So, you're trying to isolate, you're trying to control it. You're trying to determine what was impacted. You're trying to preserve evidence because there might be a chance that you could actually catch the bad guys. And so, it is complex in responding to those and I do give my hats off to the NAIC team in the way that they did respond, because based on my prior experience and the incident response playbook, they did what they were supposed to do. Of course, there's always lessons learned, and I know this. Unfortunately, sometimes they're hard lessons to learn. In my previous job you move on, and you learn from the lessons. You hope you don't have to apply them again. And there's always communication challenges on all of these events. In any event, I am hopeful that some of the color from my prior role might help provide a little context here.

Sen. Lana Theis (MI) stated thank you for your transparency. The NAIC has a requirement for insurers when they have a data breach to report to the regulators and to the consumers. What is your requirement and what is the authority that you are relying on that demands that? Dir. Dwyer stated that it's 72 hours when the security incident is at the NIST level that reporting is required. That level was reached on June 13th. We have 72 hours for insurers to report to us. The NAIC reported within 48 hours, so it was timely. Sen. Theis asked reported to whom? Dir. Dwyer stated that the NAIC reported to the commissioners. The NAIC also reported to the insurers who file data with the NAIC who also put out a public statement. Kay Noonan, NAIC Chief Legal Officer, is here today and she's actually on the incident response team and she can provide more details in terms of reporting.

Ms. Noonan stated I should preface these remarks by saying I am not a technology person. I do that for two reasons: one, it's accurate; and two, it will become readily apparent if we get too far into this. So, it was actually June 15th that we declared a cybersecurity event. We then informed our internal operating board, our Executive Committee, our members, and law enforcement the next day and then the next day we made an announcement to the public, which we did on our website. We used a couple different methods to communicate with insurers. We used different insurer mailing lists that we have available. We used what's called their annual statement content contacts because that's the bucket of information that we understood had been accessed. And then we also notified the credit rating providers because that was the other bucket of information that we at least had reason to believe at that point had been accessed. As Dir. Dwyer indicated, the threat actor put out some information that they had a whole bunch of information from other NAIC systems. At that time, we had no reason to believe those had been impacted, but unfortunately, we were not in the situation where we felt like our investigation was far enough along that we could say here is what it wasn't. I want to say that was later that week that we gave a subsequent notice on what was or wasn't accessed. And that was when we finished our first initial forensic investigation which was done through a combination of our internal resources, and we also use a third party as I expect many of your states or organizations do as well.

Sen. Theis stated it sounds like you did what you should have done. What are the requirements that you impose on yourselves and where does that authority reside? So, you've got the NAIC model that instructs insurers, but what about the NAIC? What authority is there requiring that you do this should you decide to change your mind? Dir. Dwyer stated from an individual state perspective, we all have requirements within our states if it's any of our information. In this particular case it didn't happen to be, although we do send information to the NAIC. The NAIC itself I don't believe it is subject to any statutory authority. It's just best practices and it's in accordance with our SOC 1 and SOC 2 practices.

Ms. Noonan stated I think we certainly would have the same obligations as any organization would if there would have been impact of, for example, personal identifiable information (PII), confidential or proprietary information or information that we had courtesy of a license or a contract. We would have obligations there. In terms of our obligations we felt our primary obligations were first to our members, to make sure that they understood what had happened. And in particular, if there was any impact on either information that we collect either directly from the state or on behalf of the state. And then also because our systems are all interconnected, we wanted to make sure that the states had been informed to the extent that their systems might have been impacted. And then our second level of obligation, I think, was to the insurance companies and potentially producers on whose behalf we hold information for the states. We actually have very little PII from those institutions, we don't hold policyholder information. There may be some on the producer side, so our second stage was identifying what it was, and then we decided to give a very broad notification and then narrowed it down from there. So, I would say we followed our incident response plan, which is based on the NIST framework, and corporate best practices on what to do when you're the subject of one of these things.

Rep. Michael Sarge Pollock (KY) stated thank you for the transparency through this whole process that you went through. Obviously it's early in what you experienced but do you anticipate any change in your cybersecurity protocols? Hopefully, it doesn't happen again but obviously the threat is there. Dir. Dwyer stated we are constantly updating our cybersecurity protocols. So, the best practice is that you are always looking for it. I know that we're going to be doing a retrospective look and we will see whether there were any vulnerabilities in this particular one and making changes.

Ms. Noonan stated that after we went through the identification and eradication stages, we moved immediately to remediation. We had some immediate short-term steps that we took both based on what we identified happened and also based on recommendations from our cybersecurity consultant. So, we've got kind of a short, medium, and long term remediation plan that's ongoing. I would be out of bounds if I started talking about the specifics of it. I know some of the words but I just don't know the details. But if you've got questions about any specific efforts that we've taken, I am certain that we can follow up with either you directly or through others at NCOIL. But we took recommendations from Mandiant, our cyber consultant, and we have finished what they identified as sort of the immediate risk factors because that's what allowed us to issue the statement that we had verification that they were out of the system, and there was not an ongoing risk. And now we're taking some of those short-term remediations and applying them to the parts of the system that weren't impacted to the extent that they're helpful there as well. So, I would say that is ongoing. And then as Dir. Dwyer indicated, kind of the final stage in our incident response plan is an after action plan and we've already started to have meetings about that. Interestingly, we had scheduled internally kind of a tabletop exercise where we were going to simulate a cyber breach and test our response. We no longer need to simulate it. We are going to use what actually happened and test our procedures there and take a look at our incident response plan, update that if we need to, and continue with the remediation efforts.

Asw. Pam Hunter (NY), NCOIL Immediate Past President, stated that it was mentioned that the states were informed of the breach. Did the carriers have to notify their policyholders about the NAIC's breach? And also, since this has happened, has there been any internal conversations with you all about the insurer data holding practices, and should you be holding all that data? Dir. Dwyer stated that there was no PII implicated in this breach. Under the NAIC cyber model, which I would say more than half the states have adopted, the insurers only have to notify policyholders if PII is implicated so the insurers I do not believe had an obligation to notify their customers in this case. Again, we being the state send data to the NAIC and that was not

implicated so this was a very narrow group of information that was implicated, most of which was already public. So, insurer financial statements are public documents, and that was the majority of what was accessed here. There was also the second category of the rating organizations. Nothing to do with insurers. This is rating organizations that file information that have to do with investments. So the facts surrounding this limited the amount of notification that had to be sent to individuals, and that's why we did public notification. Regarding the data holding practices, we're always looking at that. It is inefficient, honestly, for 56 jurisdictions to request data separately from insurers. So, we do utilize the NAIC as a forum for that but as a result, the NAIC has very high-level cybersecurity protocols to make sure that we are doing everything that we can to protect that data. We look at it constantly. In this case none of that data was accessed but we'll certainly be looking at it, and we look at it on a go forward basis constantly anyway.

UPDARE ON WORK OF NAICE WORKING GROUPS

Rep. Jordan stated that we'll move on to a discussion on the activity of NAIC working groups. Let's first start with the market conduct regulation modernization working group. Can you provide us with an update as to what the working group is working on and also about the market conduct modernization efforts in general and specifically what problems were identified by the NAIC causing it to form this effort?

Dir. Cameron stated that as a former chair of the NAIC Market Conduct Committee, during my time as chair, we were able to see some inefficiencies in areas that could be improved upon. So, this year under the direction of Illinois Director Ann Gillespie, who chairs the Market Conduct Modernization Working Group, we have led a comprehensive and ambitious review of the market conduct framework which ensures regulators have the appropriate data and tools and supervisory approaches needed to oversee today's evolving marketplace. Since its creation in the spring, the working group has been meeting every other week holding listening sessions. We've heard from all kinds of insurers, consumer representatives, regulators, and other stakeholders and really had open opportunities for folks to express to us areas of concern or areas of improvement to modernize our market oversight while maintaining strong consumer protections. Current work includes evaluating our market data collection, examination practices, interstate collaboration, third party oversight, consumer complaint process and the use of regulatory technology to improve efficiency and consistency across states. The working group has also examined ways to make the market conduct examination more risk focused and improve coordination amongst the states and reduce unnecessary regulatory burden, on both sides of that aisle, and enhance oversight of insurer and third party data vendors and data driven systems. The working group is expected to provide initial recommendations here later this year. I would anticipate this is going to be a long-term process. This is not going to turn on a dime, and we will certainly value NCOIL's input as we start making recommendations.

Rep. Jordan stated that I heard you mention listening sessions and I know several of them were public but I know a lot of them were closed door and only with regulators. Do you anticipate any more closed door meetings? Dir. Cameron stated that all the listening sessions were open meetings and I anticipate many of the discussions regarding modernization to be open. There are times where there is the need for regulator to regulator conversations as we are carrying out the work and discussing carriers' potential inappropriate activity. We obviously don't want to talk publicly about any one carrier that hasn't been properly investigated. So there is work of the market conduct committee that is regulator to regulator to preserve confidentiality and privacy of particular carriers. But the modernization work, I don't believe much of it will be, if anything, regulator to regulator.

Seeing no question, Rep. Jordan thanked Dir. Cameron and stated let's now discuss the healthcare affordability and mitigation working group. As you know, healthcare affordability unfortunately remains a top issue in this country. I think it's great that you have formed a working group to address this issue. Can you provide us with an update on what the working group has done so far and what are the goals in terms of developing any work product like white papers or model laws?

Cmsr. Mulready stated that I was speaking with my family recently and mentioned that we don't have a health care crisis in the U.S., we have a healthcare financing crisis. We have good healthcare, how do we finance that? So, the working group is working on developing some solutions on how do we improve healthcare affordability and access? I had the privilege last year of chairing the NAIC's health committee and I still serve on that committee and we did produce a prior authorization white paper last year. The working group is also focused on state-based solutions. What are the underlying drivers of health care? Rather than simply talking about affordability, what is driving that? Practical solutions for state policy options that might be available for regulators and lawmakers and important. And then producing that series of concise issue briefs to highlight those state approaches and best practices is a goal. Initial topics that they're reviewing and talking about are utilization review, market consolidation, reference-based pricing, price transparency, and impact of direct-to-consumer drug platforms on insurance affordability. All words and topics that we are all used to hearing about. The working group's plan is to continue working on that and then to kind of finalize those by year end.

Rep. Mike Meredith (KY) asked if vertical integration is something you all have looked at in the working group? Cmsr. Mulready stated that they will. The focuses are the ones that I mentioned but vertical integration certainly has a big impact. It's being addressed more so in that pharmacy benefit manager (PBM) space in many states right now.

Rep. Michelle Boyer (ME) asked if it could be clarified as to whether the working group would have any model laws developed by the end of the year. Cmsr. Mulready stated there won't be model laws but rather issue briefs.

Seeing no further questions, Rep. Jordan stated that we'll move on to the childcare insurance working group. We discussed this briefly at our last meeting in Louisville, and I know this is an issue that the NAIC is very interested in. Can somebody please provide us with an update on what that working group intends to do?

Cmsr. Kuderer stated that the NAIC's property & casualty committee recently established the Child Care Insurance Working Group to examine growing challenges related to the availability and affordability of insurance for childcare providers, child placing agencies, and foster care organizations. The working group is studying liability market conditions, including increased litigation, evolving liability exposures, increased coverage limit requirements, reduced insurer participation, and changes in underwriting practices that have made coverage more difficult and expensive to obtain. And I can tell you from speaking with my legislators and organizations that work in this space in the state of Washington, this has reached a crisis level. And in speaking with commissioners at our conferences, I know that this is a national issue as well, which is why we're focused on it. The working group is monitoring state legislative and regulatory developments including liability reforms, risk pooling approaches and other policy options that may improve insurance availability and affordability for child care providers. Regulators are working with insurers, childcare providers, and advocacy groups, legislators, consumer representatives, and other stakeholders to better understand these challenges and develop

practical recommendations that states can consider to improve insurance availability while maintaining appropriate consumer protections.

Early findings suggest the insurance challenges vary by provider type, with child placing agencies and group foster homes facing the most significant liability insurance availability concerns. And the working group is evaluating targeted policy solutions that reflect those differences. And we view NCOIL as a partner in this work, because this is going to take system - wide changes. This is not singularly a regulatory issue or a legislative issue. There are other things that are at play here that we have found in our working group. To underscore the sense of urgency that we're feeling, we are meeting twice a month on this. We are giving an interim update to the insurance commissioners at our next meeting in Columbus and we will have recommendations for states to act on at our December meeting. That is our plan. And like I said in speaking with all stakeholders, we know that there is a real sense of urgency around this, and we know what's at stake but we want to hear from all sides so that we make as reasonably informed recommendations as possible to the NAIC and also to all the stakeholders.

Rep. Kerry Wood (CT) stated that this past session we just passed a feasibility study. We put $200,000 out to bid, and a report will be generated by February 1, 2027, which is right at the start of our legislative session, to look at liability risk pooling, forming a captive, other risk management options, provide actuary and financial analysis. And I would be happy to share the report with this group because we are also in crisis mode where Connecticut just invested $300 million in basically universal pre-K and we are struggling to find providers that can get insurance to provide those services. So we understand how important this is, and we would be glad to share our recommendations with the team as well. Cmsr. Kuderer stated we would welcome that. We in Washington did a study as well on whether we could use joint underwriting associations and that study is also part of the foundational information that we're using when we're taking a look at the recommendations for the group. So, any states that have studies on this issue, we more than welcome to have them sent to me.

Rep. Pepper Ottman (WY) asked if the recommendations are going to include things about who is causing the litigation and what kind of things they are litigating about? Cmsr. Kuderer stated that it's an interesting questions and I can say that one of the issues that's come up in our working group is the role of private equity and direct solicitation by attorneys and private equity groups of potential victims. And that is something that we are definitely looking at what are the best recommendations for how to deal with that.

Rep. Peggy Mayfield (IN) stated that when we think about childcare, we typically think about daycares, but you also said that this category includes child placement agencies. Would that be for the high acuity sex offenders of children - residential treatment centers? And how are different places covered under insurance compared to state agencies? Cmsr. Kuderer stated that we're looking at it very broadly in terms of the organizations that are impacted, the nonprofits. In terms of the state agencies, they are insured separately but there are things that state agencies are doing that are impacting this issue. For example, in our state, the state agency , Department of Children, Youth & Families (DCYF) has an indemnification clause in all of their contracts with these child placement agencies and group foster homes. And that has been pointed out by the agents, the non-profits, as a real problem for them to be able to obtain insurance. And so, irrespective of the fault of the state, all of the judgment then is passed on to the nonprofit. And we think that we need to be looking at things like should there be joint and several liability in these instances? Should that go away? And other reforms like that. Again, the direct solicitation is a real problem. I think we should be looking at that. Third party funding of these cases we need to be looking at that. So, there's a lot at play here and when I say that

system wide changes need to be made, it's because it is so complex and it's interrelated, and we have to be thinking holistically or we're not going to really solve the problem. And I think that's the motivation behind the working group given what we've been hearing from the nonprofits in our state.

Rep. Mayfield asked if the report is available. Cmsr. Kuderer stated we haven't issued it yet. We're going to be making a report of recommendations at our December meeting, and it will be made available then.

ADJORNMENT

Hearing no further business, upon a motion made by Asw. Hunter and seconded by Sen. Theis, the Committee adjourned at 12:00 p.m.