NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
2026 NCOIL SUMMER MEETING – BOSTON, MASSACHUSETTS
JULY 18, 2026
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at The Westin Copley Place in Boston, MA on Saturday, July 18, 2026, at 10:45 a.m.

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

Other members of the Committee present were:

Sen. Justin Boyd (AR)
Rep. Stephen Meskers (CT)
Rep. Kerry Wood (CT)
Rep. Peggy Mayfield (IN)
Rep. Michael Lee Meredith (KY)
Rep. Michael Sarge Pollock (KY)
Rep. David LeBoeuf (MA)
Rep. Robert Foley (ME)
Rep. Edmond Jordan (LA)
Sen. Paul Utke (MN)
Asw. Pam Hunter (NY)
Sen. George Lang (OH)
Rep. Brian Lampton (OH)
Rep. Tom Oliverson, MD (TX)
Rep. Matt Morgan (TX)
Del. Walter Hall (WV)
Rep. Calvin Callahan (WI)

Other legislators present were:

Rep. John Illg (LA)
Rep. Dennis Bamberg (LA)
Rep. Michael Bayham (LA)
Rep. Rolf Olsen (ME)
Rep. Pepper Ottman (WY)
Sen. William Gannon (NH)
Rep. Ellyn Heffner (OK)
Sen. Cale Case (WY)

Also in attendance were:

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

QUORUM

Upon a Motion made by Sen. George Lang (OH) and seconded by Asw. Pam Hunter (NY), NCOIL Immediate Past President, the Committee voted without objection by way of a voice vote to waive the quorum requirement.

MINUTES

Upon a Motion made by Asw. Hunter and seconded by Rep. Brian Lampton (OH) ,the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee’s April 18, 2026 and June 8, 2026 meetings.

CONTINUED DISCUSSION OF PROPOSED AMENDMENTS TO NCOIL TRANSPORTATION NETWORK COMPANY (TNC) MODEL ACT.

Sen. Theis stated that we're first going to continue our discussion on proposed amendments to the NCOIL TNC Model Act. Sen. Theis then asked Rep. Edmond Jordan (LA), NCOIL Vice President, to provide an update on the status of the amendments which are sponsored by Sen. Walter Michel (MS) who couldn't be with us here today.

Rep. Jordan stated that I have been working with all the stakeholders on trying to get this model in a posture that we could have a vote today but we're not quite there yet. All parties have been working in good faith so there's no issue of parties not being able to work together or trying to reach a resolution. But there's recently been a court decision out of Florida that's kind of on point with the model and that has kind of thrown a little bit of a monkey wrench in what we're trying to do. So I have spoken about this with Sen. Michel and I am proposing that we defer everything until November to figure some things out as that case is also so we can try to resolve some of the issues and the court may as well. And it also gives us a little bit of an opportunity to digest what the court has said and get the model in a posture that would comply with the court's decision.

Upon a motion made by Rep. Lampton and seconded by Rep. Tom Oliverson, M.D. (TX), the committee voted without objection by way of a voice vote to re-adopt the model as-is until the November meeting.

Sen. Theis stated that it is my intention to have an interim meeting of this committee where we'll discuss this further, and we can go into more detail at that point in time with the amendments that are currently on the table and the changes that are being proposed from that.

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

Sen. Theis stated that next, we're going to continue our discussion on the NCOIL Model Act regarding insurers' use of aerial images. We're not going to be voting on this today. It is my intent to vote on this in November. I will now recognize one of the sponsors of the model, Rep Brian Lampton (OH).

Rep. Lampton stated that I want to thank my colleague and other sponsor of the model, Rep. Matt Lehman (IN), for his work on this. I'd also like to thank Rep. Matt Morgan (TX) for co-sponsoring, and also Rep. David LeBoeuf (MA) who carried this issue last year. As mentioned during our interim meeting last month, the model is essentially based on the bill that Rep. Lehman sponsored in Indiana, which has been signed into law. It's pretty straightforward and represents a prior version of the NCOIL model, together with some changes necessary to reach consensus. Rep. Lehman and I are in agreement that we're coming at this from the same place in that we need to start putting some parameters around insurers' use of this specific technology. We're definitely are not looking to prohibit it, just put some reasonable parameters around it. I know some carriers are concerned that we could prohibit them from using a tool in underwriting, but this model will not do that. Underwriting tools are good things and result in lower prices for consumers. I think this just provides some reasonable guardrails. Some states have already enacted laws on this and several bills have been introduced and that's why we think it's a good opportunity for NCOIL to provide some guidance. Now, guidance doesn't mean that you cut and paste this into statute; obviously, your individual state would need to adjust it to what best fits your state's needs.

If states want to make changes like to the age of the photos for example, or the time periods for curing defects and providing notice, of course they can do that. Many states have enacted bulletins on this issue, but we know as leadership in insurance departments can change quickly so can bulletins. So, that's why we feel like legislation is more stable and a better way to address this. Some folks have issues with the model talking about the aerial images being the sole reason for non-renewal. But states need to start somewhere, and this model can do that. Again, you can choose to change that if you wish in your state. For example, Georgia recently passed a law on this issue that goes a lot further in some areas of this model. So again, each state's going to be able to custom fit it for their purposes. This issue is not going away. We believe this model is a good starting point. I want to leave you with a couple of things here. It's pretty narrow. This model deals with only non-renewals, so it's limited in scope that way. Secondly, when we first began discussing the issue last year, the market was much harder. It's softening now, and we believe that aerial images and non-renewals were at a fever pitch then and it's probably lightening up but in this business, it's not the last hard market we'll face. Markets will turn hard again, and we'll just have to deal with it. Also, I would like to hear from all interested parties today as to their thoughts on the sole language. I was kind of curious what objections there might be for that.

Amy Bach, Executive Director of United Policyholders, thanked the committee for the opportunity to speak and stated just a bit of a background for those who may not be familiar with our organization. This is our 35th year of service as a 501c3 focused on educating consumers and assisting consumers with regard to property insurance matters. We do a lot of disaster preparedness and recovery work and we very much appreciate all the effort that has gone into developing a model here. We worked closely with the sponsors of the previous version because we like many of you, especially those of you who are agents, have been hearing a lot from consumers who are upset, angry, confused as to why if they've been insured with a company for many years and to their knowledge, nothing has really changed and suddenly they're getting dropped and they don't really know why. So, there's a lot of good in this model, in the sense that it's straightforward. I just want to give a quick history of the concessions that were already made to the previous model, and that are in this one, just to show I think, how flexible those of us who are trying to have this come out helpful to consumers have been. Originally, we thought, why should it only be a mandate on admitted insurers? We were really getting more concerned as a consumer group about the ways in which admitted insurers are being disadvantaged now that excess surplus and non-admitted companies are coming into the residential market, we felt like it should be applied to both. But that concession was already made.

As far as the duty to provide, it's now no longer an obligation on the insurer to provide the information to the consumer. The consumer now has to ask. The consumer has to know that they have the right to ask, and they have to ask. We talked a lot about the value of this concept to give a homeowner knowledge and information about conditions that are problematic and give them an opportunity to cure those conditions, particularly because most people do not go up on their roofs on a regular basis, and if it's not leaking, they would not have any reason to know. So, this is a good thing to give the consumer that information. So as far as the concessions, now it's admitted only and it's got the 24 months. We are actually okay with the America Property Casualty Insurance Association's (APCIA's) suggestion that it just talk about that there not be a number in the model - just say "reasonably recent." I think that would be okay if there's not an agreement about 24. A lot of the states that have already issued bulletins have gone with either a year or even six months just to make sure that the images are reasonably current and accurate. And then finally, adding the word sole kind of really does defeat the purpose of the whole thing and if you're going to keep that in there I'm not sure it's really worth pursuing it. I do think it's an important initiative, but if an insurer says it wasn't the sole reason, then there's no protection and you really haven't accomplished anything.

Wes Bissett, Senior Counsel for the Independent Insurance Agents and Brokers of America (IIABA). We represent the agent broker community nationally and in each of all your states. We appreciate this committee continuing to take up this issue. We think having a model would be incredibly helpful for the reasons that Rep. Lampton indicated. To put it mildly, the use of aerial images by carriers has been bumpy at best. It's garnered the attention of insurance departments and the media. There have been 14 states that have issued regulatory bulletins. States have begun to act legislatively. Georgia, under the leadership of NCOIL member and Sen. Larry Walker, just adopted a fantastic law that should be a model for all of you. And this proposal is very similar to what Georgia has done. I won't go into all the reasons and the details, I think we've kind of covered that ground in the past. I do though want to echo Ms. Bach's point about the revisions that have been made to this model along the way, often at the behest of my insurance carrier friends. The proposal initially by Rep. LeBoeuf didn't just apply to existing policyholders, it applied to applicants for insurance. That's been changed. It used to apply to surplus lines carriers; that has been changed.

So there have been a number of changes and revisions, reasonable ones I think, that have been made along the way. But when this committee took up this issue in the fall, the biggest outstanding issue was the question of whether when you're non renewed, because an image has been used, whether that image should be shared with you by a carrier proactively, or whether you have to as a consumer request the image. The upon request approach has now been built in to the model, which we have no objection to. But that is a major change and concession that's been made. That was the big issue that the carrier community was voicing back in the fall. That has now been incorporated into this and we think that's appropriate. We're open to any other reasonable revisions that might be made as well but we are extremely troubled by and opposed to the sole reason limitation that's been incorporated into this bill. So, if the review of an aerial image was a big reason why you're non-renewed or the significant reason why you're non-renewed or the primary factor why you're non-renewed, none of these protections would apply. So, we think unfortunately having that kind of approach makes this largely meaningless. Carriers in a practical sense are always weighing a variety of factors when they make any decision, they don't look at one thing in isolation.

So, we fear, unfortunately, that in practical terms, you will not accomplish anything if you adopt a model along these lines. And as someone who's been coming to NCOIL for more than 25 years and as someone who represents an organization that strongly believes in state regulation of insurance, we think this would be something of almost a black eye for the organization, an organization we care a lot about. We'd also urge you to look at the states that have acted in this area. So, the 14 states that have adopted regulatory bulletins, none of them have this sole reason limitation. The Georgia law that I mentioned, that should be a model for everybody, doesn't have this. And I think the only state that has anything along these lines is the Indiana law that was just adopted. I'm not even sure what the reason would be to limit it in cases where it would only be the sole reason. What we think NCOIL should do is say is if the non-renewal was based in part or in whole on a review of an aerial image, then the requirements and protections ought to apply. Or sort of stated a different way, if the non-renewal would not have occurred, but for the review of an aerial image, then the requirements of the model ought to apply. So, we appreciate all the work and focus on this issue, but if you're going to limit this to only instances where it's the sole reason for an action, frankly we'd urge you not to even adopt the model at all. It takes any meaning or impact out of it altogether. It's largely a poison pill.

Paul Martin, VP of State & Policy Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the committee for the opportunity to speak and stated that I am pleased to announce that NAMIC is neutral on this model in large part out of acknowledgement and respect for the work that this body has done in addressing a lot of the concerns that we raised last year. We think we've gotten this to a point where when I visited with NAMIC members, we think we can be neutral here.

Rep. Kerry Wood (CT) asked if the inclusion of the 24 months requirement was a concession. Sen. Theis stated that's actually my push. We have the Upper Peninsula in Michigan. You don't have planes randomly flying there and taking pictures very often. Rather than increase their premiums because insurance companies have to hire somebody go get those images, I prefer to leave that photo age requirement at 24 months and not go shorter. I don't like the loose language that it has to be a reasonable time frame, because then that leaves it up to the regulator to determine what reasonable looks like, and that can vary dramatically. So I prefer the 24 months and I have pushed hard for it. Obviously other states can choose to go shorter if they'd like to.

Asw. Pam Hunter (NY), NCOIL Immediate Past President, stated that I'm really shocked actually to see this model here in this form because when we had a conversation about this at the interim meeting last year and we had a vote on an amendment that passed and then we had a vote on the model that failed, the basis of the concern was the carriers not wanting to be mandated to provide the information upfront due to cost, although it was never communicated when asked what the cost would be. So, I am looking at this model now which essentially is entirely gutted from the model that we had originally. And in my opinion, this model does nothing and I would say that if somebody brought it back to their state, they would probably need to add way more comprehensive information here. And I was the primary supporter of brining this model back after it was voted down but this version is not like last year's and I don't know if it's just like the bare bones template and you can bring it back to your state and add on the things that you need. In New York I introduced the original model with the amendments.

Rep. Jordan stated that the big issue that I have is that the committee chair last year and I had talked about the cost associated with storage and sending the photos to the insurer and we were told that there was a great expense in dealing with that. And so we gave the stakeholders time to come back and tell us exactly what those expenses would be and the response we got was, well, we don't have an actual number, but it would be expensive. And I think that's kind of why we went back again to say, okay, let's give you another opportunity to come and deal with this issue and, in part, I think why Asw. Hunter had asked for it to be brought back. But again, this is a totally different version and I guess we don't have to account for cost because it doesn't even address the requirement to provide the pictures initially. So, I share my disappointment with how the model has come back but understand we're not voting today. So, hopefully we'll have some time to revisit this once again.

Sen. Theis stated that it will give the industry an opportunity to interact prior to the interim meeting that we have coming up and to defend that position.

Rep. Matt Morgan (TX) thanked everyone for their work on this and stated he is glad to see NAMIC neutral and also he understands the frustration on sole reason provision because insurance companies use so many different metrics to measure things. I want to share a story and then ask for some feedback from our panel. So, since our last discussion on this, my chief of staff actually got a non-renewal notice from his insurance company. He lives in Austin and the city will not let you cut down a tree. They will fine you if you do cut one down. The image that was taken over his home was during the winter. He got his non-renewal notice in the spring. They said, “You have to cut down the dead tree” and they sent him the picture of the tree so there are carriers already doing this. So he went outside, took a picture of the tree, sent it to his agent and said it’s not a dead tree, it’s a live tree because you just took the picture at the wrong time. So I think there are instances like that which make the model important to ensure that good data is used. No one wants to stop carriers from being able to price the market right. I want you to use all data points that are available to you in order to price all of us so that we are priced as best we can and we can each get the best rate we possibly can. But I would like some feedback from the panel on what my chief of staff went through and then just some concerns about we’re not trying to regulate what you guys can use for rating us, but we want to make sure that there’s transparency in how it’s used in case there’s mistakes that occur like I explained.

Ms. Bach stated that the first conversation I had on this issue with a regulator or a lawmaker was with the Kentucky Insurance Commissioner and she said she had a constituent write to her saying they got non-renewed and they didn’t know why. And I helped them communicate with their insurer about what it was and the insurer said it was because we saw roof damage but it was not specific. And at the time, the technology hadn’t really gotten to where it is now in terms of very granular pictures and those kind of disputes were originally what I think spurred a lot of the drive to have a model and to have restrictions. And I think your example is a perfect illustration of why you want the homeowner to have access to the images so that they can correct something that a computer missed like interpreting a tree at a certain time of year to be dead. So again, I think that just really underscores the goal here is to give the homeowner information so that they can make improvements that will make their home less likely to get damaged, and that will qualify them to keep their insurance. So, I think we’re on the same page with that goal. We just haven’t quite gotten to the right way of getting the information. I always felt like it’s a digital image so where’s the expense at of forwarding the digital image as a PDF? I don’t get it.

Mr. Bissett stated that I think the scenario you outlined is exactly what this model was intended to address. So, setting the sole reason issue to the side for a moment, what the model would provide is an opportunity. So, let’s say it’s the wrong house, the wrong address, that insured would be able to go back to insurance and say, you got the wrong property, or in the case of a tree, if it was a shadow and not a real issue, you’d be able to have an opportunity under this model to go back and make your case. Or if the tree really was a problem, to actually address that tree issue within a reasonable period of time and make sure that you’re meeting the conditions and guidelines of that insurer. So if we could get over this sole reason issue, I think we’d be creating a framework that would be exactly what the insurer that you mentioned did in that particular case.

Mr. Martin stated that first, I would encourage your chief of staff to look at the Austin Wildland-Urban Interface (WUI) code because if the tree is, in fact, dead, he probably does, in fact, have the right to remove it, and that’s something we’ve advocated for. So that’s just a helpful tip in case he wants to push that with the city. Rep. Morgan stated to Mr. Martin, just to make sure you have the facts right, the picture was taken in the winter and they said it’s a dead tree and they sent him an image but he then walked outside in the spring and showed all the leaves on the tree showing it was not dead which is why he can’t cut it down. Mr. Martin stated that I live in Austin so I understand it’s confusing but there’s a lot of property owners in Austin who have more ability to remove trees than they did just a few years ago. I’m just sharing that as an FYI. But this makes the case for solely because if we had this law on the books in Texas, based on the fact pattern as I understand it, there would be a process by which the policyholder could ask for the images and make the corrections. The reason we wanted solely in there is because if you use that example, and let's say an adjuster or underwriter went to the house and did an examination and they looked at a number of things and went around the property and looked at the claim history - at that point, how much weight do you place on the image and how much weight do you place on the other factors? That was the concern with the last version of the bill and that is if you use imaging even in part, even if it's only 5% of the analysis, you now have this whole framework of requirements that the insurance company must go through. So, the feedback we got for some time was if whatever flies over your house takes a picture and you get non renewed based on the picture, that's not fair. This current version of the model addresses that concern. If you send someone out to the house to look at the property, or if you look at other factors, maybe those other factors should trump whatever is in the image. I think we would probably all agree on that and if that is the case, then we shouldn't have to worry about what's in the image and that's why we think this version of the bill is better.

Rep. LeBoeuf stated that to provide some more background on this, the amendments that passed during last year's interim meeting were a concession that the trades had asked us to make. And then during that discussion there was confusion raised around the language of "in whole or in part" that was never brought to our attention previously which has led the version now to using "sole." And also, we never got those numbers on the cost of providing the images. How I even got aware of this issue when I brought it up previously was because I had a constituent who was a senior citizen that had a tree fall on her garage. Her policy was non-renewed. She had repaired that on her own. The company had also given her the photo without her asking, and she said, "well, I corrected it" and the insurer said "oh, well, sorry, we're still going to non-renew you." And that was the impetus of why this happened. And the key thing to keep in mind with these images is no one wants to ban this technology. This technology is helpful. Using this technology will reduce your rates. It's also really good in natural disaster responses. But when using any new technology, similar to the discussion we had with artificial intelligence (AI), there needs to be guardrails and there needs to be protections for the consumer. And I know we're not voting today, but think about this when we look at future revisions and future models. Because these images, when the insurers are using them, there's not someone in the office that's analyzing each individual image. They're going through some type of computer program or software program, whether it's an algorithm or AI or something. And maybe you should think about what did the use of this technology and its analysis do? Did it affect their outcome and can the company explain and stand behind it? I think we can do more work on this model to put in practices to make sure that this model matches those questions.

Rep. Stephen Meskers (CT) stated that there's no question that this technology is going to be very helpful but if the technology is used as one of a number of factors in not renewing, and you don't enhance the rights of the consumer, that's difficult. The insurance industry suffers losses. If they decide to withdraw from a market or they decide to reduce their exposure to the market, and they use the aerial images as part of the factors in non-renewal and those aerial photos create errors and omissions, people are going to get factored out of the market without any coverage, just on the back of the fact that it wasn't the sole reason. So, more information is valuable in underwriting risks. There's no question. Hopefully we'll reduce the risks, ultimately maybe reduce the premiums, but I'm concerned that the use, in the way it's designed here, it can just be used to, if you will reduce the pool from what they perceive as risky underwritings without an error and so they're kicking people out of the pool. And insurance is a pooled instrument for risk mitigation. So, I'm concerned that we make sure that we give people those rights. The way I look at this is and way I see it is unless underwriters tell me differently, I'm thinking that the aerials are replacing a lot of physical inspection and reducing costs. So, I'm hesitant to think that the aerial photos is a supplement to a physical review. My guess is there is there is no need for aerial if you've done the physical and I just want to make sure that the consumer is well protected. So, I think we might need to look at that going forward.

Sen. George Lang (OH) stated I can support this bill as-is. I'm sensitive to Rep. Jordan's and Asw. Hunter's concerns. I would much prefer that be addressed in a drafting note, rather than a change of the bill. I would rather see the bill have less teeth with the option of states to add teeth since it will be a model bill. And if we added teeth, I would most likely become a no vote. But I would be okay with the drafting note. I just wanted to put that on the record.

REPLACEMENT COST VALUE AND ACTUAL CASH VALUE COVERAGES – DISCUSSION ON THE FEDERAL AGENCY'S (FHFA) HOMEOWNERS' INSURANCE RULE

Sen. Theis stated that next on our agenda is a discussion on replacement cost value (RCV) and actual cash value (ACV) coverages and the federal housing finance agency's (FHFA) homeowner's insurance rule. Our speakers will address this in more detail, but this rule would have required properties with Fannie Mae and Freddie Mac mortgages to have full replacement cost coverage for roof damage repair rather than actual cash value. This is a good opportunity to hear different perspectives on that as well as provide some education on replacement cost coverage versus actual cash value coverage.

Ms. Bach thanked the committee and stated that I appreciate the opportunity to support this committee's work and focus. And this issue has been on my organization's radar for many years. We had conversations with Fannie Mae and Freddie Mac executives and even the FHFA before they implemented the recent rule change, and they were very worried about it. Many people are worried about it. And so my presentation will sort of recap why we're worried and what we would suggest you all be considering as lawmakers. We do characterize this phenomenon as short term gain, long term pain. I've been an insurance consumer advocate for my entire career, 40 years, and I did cut my teeth in the New York State Legislature starting as an intern and moving on to be a lead staff director. So, I very much appreciate how complicated these issues are and how many differing considerations you have to make when you're looking at a federal initiative like what just happened.

So, shrinking coverage for roofs. Basically, if you didn't know what this issue was about, there is a longstanding congressional rule that if a home has a mortgage in place through a federally backed loan, that the coverage that's in place on that mortgaged collateral should be adequate to restore it. So, it should be replacement value coverage. But for a lot of reasons, and while we recognize that marketplace forces have been driving this move, insurers have been pushing to be able to weaken that rule so that they can sell depreciated actual cash value coverage in place of replacement value coverage. And obviously you don't need me to explain why industry wants to be reducing their exposure and in this era, you all are familiar with that. But the reality is that a roof is key to both the structural integrity and the real estate value of a home, and ACV-only coverage causes significant protection gaps and leads to devalued mortgage collateral which I think should concern you as lawmakers because if you were around in 2008, you know that there is a very close relationship between mortgages, home values, and our entire financial health system. So just briefly, RCV pays what it actually costs to repair or replace damaged property. ACV only pays a depreciated amount reflecting the age and condition. If you have ACV-only on your home, it means you have to come up with the cash, take on debt, or you leave your home unrepaired, which means we've got impaired mortgaged collateral, which is not healthy. So, it makes a huge difference.

My organization has been in disaster areas now for 35 years and the difference where a homeowner has RCV versus ACV in terms of their ability to repair, restore their damaged or destroyed assets is huge. Properly maintaining and insuring roofs matter for a number of reasons such as structural integrity. The roof's water resistance is critical to the overall structure's strength. The real estate value is important as is the mortgage collateral. And then this is not to be undervalued, consumer confidence in the value of insurance is important. I would say at this stage, it's at an all-time low and some of that is being driven by images you see in the media of blue tarps in areas that have been hit by hurricanes and tornadoes, and people are mad at their insurer. And those are all drivers of decreasing confidence that the public has that if they pay for home insurance, it's going to be there for them. And they're not going to have paid all these premiums and find themselves without insurance benefits. So, the ACV-only coverage experiment has been underway in Florida now for a couple years. They had a law in that state that if a roof was damaged more than 25%, it needed to be replaced, and that was based on engineering and construction best practices. That got changed at insurers' behest. And now the legislature also authorized separate roof deductibles. And insurers now can insure homes for ACV- only there. That law change is part of what drove the FHFA to move because they said, well if the market is going this way, we're out of step. I guess we better adjust. And I think my point to you is that's maybe not a good enough reason to take these risks because the result is that households with older roofs either have to pay out of pocket or they just don't repair or restore the collateral. And when you see the stats now of the number of hurricane claims that got closed without payment in Florida after the last hurricane, it's shocking. We're talking well over half and obviously high deductibles are a reason for that, but also ACV-only coverage is a big reason.

And so this is a kind of an example from the consumer perspective on how the coverage in a home policy keeps on shrinking. This is called shrinkflation. We had every year starting in 1992 with Hurricane Andrew, we're seeing less coverage in a home policy and that phenomenon is leading to this phenomenon of homeowners going bare, which has been documented by Lisa Miller, which I'm sure she's presented to you over the years. She's an expert on the Florida insurance market. So, we have this growing gap and consumers need help. They need your help. Both prioritizing the most important coverages to buy, choosing the right deductible, and making risk reduction home improvements. So, a lot of the good work that's been happening here and at the National Association of Insurance Commissioners (NAIC) around state programs that help people fortify their roofs, that's a really great place to put your energy. But letting this trend of moving towards ACV-only coverage on homes, I just want you all to have your eyes and ears open to what the downside risk is long-term of allowing coverage to be shrunk in that way. So, thank you for your attention. I know this is a tricky subject. You're state lawmakers, not federal, but this is going to trickle down on you in your states and so I think it's good to be talking about it here. And frankly, my answer to FHFA was, could you just leave the rule intact because it's really important but look the other way? And I think what they did was sort of their attempt to kind of split the baby. And here we are.

Mr. Martin stated the year was 2024 and in February of that year, the Biden administration's FHFA which has oversight of both Fannie and Freddie published new requirements for insurance policies that insure the collateral for the mortgages. And rather than doing simply a notice and comment period, they simply issued what they thought was a clarification, requiring RCV coverage on all policies. Now, Fannie and Freddie collectively have about 50% of the mortgage market so that was not an insignificant amount of mortgages that would be touched by this. In May of 2024, just three months later, given the feedback from stakeholders including NAMIC and others, FHFA decided to pause implementation of this clarification. Later on that year in October, eight Democrats on the House Financial Services Committee sent a letter to

FHFA, citing an increased likelihood of reduced consumer choice, increased premiums and a reduction in the availability of insurance. Over the next 15 months, 64 House Republicans and 19 Senate Republicans sent similar letters to FHFA. Fast forward to March of this year, after all this feedback and after a number of conversations, and to be clear, FHFA was a good partner and was very candid and very willing to hear the concerns of various people from various organizations, they decided to rescind for the most part the requirement for RCV coverage.

So, why is mandating RCV a problem? When an insurance company agrees to insure something at RCV, they necessarily take more premium for that because they are taking on more risk. And so, the RCV implication is that insurance consumers will have to pay more than they would if they had an ACV policy. So, the rebuilding cost for roofs even exceeds the garden variety inflation cost, coupled with increased frequency and severity of storms, it is becoming more costly to repair and replace roofs. So, a lot of people decide they will agree to take on that risk of needing a new roof and they will purchase an ACV policy to help manage their finances. Under the requirement from the FHFA, your contents would also have to be insured at replacement cost coverage and the concern there is that you've got things in your house, televisions, appliances, things like that, that also depreciate over time. And if you are replacing that at replacement cost value, that's a problem. Fixer uppers, sometimes people purchase a home for far less than it would be the replacement cost and so if you bought a fixer upper and then got a replacement cost coverage policy, that would be a problem because it'd be very expensive. Manufactured homes, a lot of people might purchase a used manufactured home. That home may have depreciated depending on the condition of the home, and an ACV policy might make more sense for them. Investment properties, a lot of folks invest in properties and insure them at ACV. They're willing to take on that risk themselves, and that allows them to offer rents to their renters at a lower price than they would had they purchased an RCV policy. And we have a lot of member companies who write farm properties and a lot of exterior buildings and things like that and a lot of those buildings have aged and requiring them to insure those at replacement cost coverage could be really expensive, given the value of the structure.

Irrespective of how you feel about ACV policies, there's a fundamental issue here that I think needs to be expressed to NCOIL, and that is this is incursion by the federal government into insurance regulation by mandating this. That isn't their sandbox. This is your sandbox, along with your state regulator. So, irrespective of how you feel about ACV policies, I do think you need to be concerned about a federal government agency or Congress intervening and requiring something in an insurance policy because we are with you on the state-based regulated system. So, you need to be concerned about that irrespective of what the mandate is. ACV policies provide budget-conscious folks with an insurance option. It allows them to decide what they want to pay. We talk about the need for consumers to have choice, ACV is one of those critical choices. Bear in mind, these products are regulated by your state regulator. Your state regulator has the ability to review the forms and review the rates and all the things that go along with ACV policies. This is not unregulated. There are ACV policies for roofs that if the home is destroyed by wind or hail, the entire property is replaced at replacement cost coverage. Even the roof, even if you just have ACV on your roof. So again, that's another choice that consumers can make to decide what is best for them. So, to wrap up, FHFA decided at a challenging time to make both home ownership and home insurance more expensive. Thanks to a bipartisan effort by Members of Congress and various stakeholders, including NAMIC, FHFA paused and decided not to implement this. We would remind you that ACV policies are regulated by your departments of insurance, just like any other policy. And as a reminder, as I mentioned before, this an incursion by the federal government into a space that under McCarran-Ferguson is limited to you. And you need to be aware that this not going to be the first time or the last time that this happens so we need to be cognizant and diligent about that.

Sen. Lang stated that I’m not very familiar with the home portion of the P&C world. My assumption is, and I’m just asking if this is a valid assumption, that the majority, if not all, insurers do what you have suggested and offer a homeowner the option of purchasing one or the other. Is that a fair assumption? Mr. Martin stated many companies do. We do have members companies who only write ACV policies. Those companies tend to write in rural areas. A lot of those parts of the country are not wealthy by any stretch of the imagination. The market there really demands ACV policies, and that’s why those companies provide those. Sen. Lang stated my question was do most offer? Is that a fair assumption or is that an unfair? Mr. Martin stated I would say the vast majority of the market offers people some sort of RCV coverage. So, even if you’re in a rural part of the state, you can always get an RCV policy. Maybe not with the insurance company you choose, but there’s someone out there who will offer it to you.

Sen. Lang stated that we saw the slide of homeowners going without coverage which is very alarming. My concern is if we put more handcuffs on the insurers, we run the risk of what you were suggesting regarding federal takeover. Would that result in something similar to insurers going bare? Mr. Martin stated there are already efforts in Congress now for the federal government to get more involved in homeowners insurance, either through reinsurance backstops or things like that. And that is a conversation for another day. The more options we give insurance companies, more latitude we give them to offer products, then consumers can pick a product. At the end of the day, it becomes more of a philosophical question than anything else. Is an ACV policy better than no policy? We would submit that it is because it provides some coverage, maybe not as much as an RCV policy, but the consumer gets to choose and set the parameters of their own coverage.

Rep. Jordan stated that I’m from Louisiana and share some of the same issues that Florida has. In the New Orleans area and certainly on the coast, we do have people who are going bare. And it disturbs me because it’s mostly an elderly population that’s already had their homes paid for so they don’t have a mortgage. They’re just out there and if something drastic happens, then they have no coverage at all. So, on one hand I would tell you ACV would be better than nothing. But the real question is if ACV doesn’t fully replace your home, then are you in a better condition at all? And so, part of the question is for Mr. Martin, but then part of the question is for Ms. Bach because I’m trying to figure out why in Florida, half of those claims will close with no payment and so please give me some context and color to that, because that certainly affects us in Louisiana.

Ms. Bach stated that Florida Insurance Cmsr. Mike Yaworsky has pegged a lot of the claims closed without payment to the high deductibles. I’m a consumer advocate and I worry and that’s part of my job is to worry. I want people to have access to insurance they can afford. I agree ACV is better than nothing. However, if it is illusory in the sense that it actually doesn’t restore the asset, what I was trying to get at with my slides was, let’s be helping consumers make better choices than reducing the coverage on the structure. So, by the way, the FHFA rule has been in place for a long time so this not some sudden incursion. This is a reduction in strength of the rule, but it’s been on the books for a long time. And so what I’ve been struggling with is since many states are having affordability and availability crises with property insurance, what are the things people can cut without it really hurting them? Contents is number one. By the way, this rule does not apply to contents. The FHFA rule only applies to the coverage on the structure. So, we are telling people cut your contents coverage, cut your other structures if you can, but whatever you do try to keep replacement coverage on your home so that if nothing else, you’ll be able to put it back if Humpty Dumpty falls off the wall. And unfortunately, we seem to be going in the opposite direction. So, it’s just a challenge for all of us who are trying to strike a balance where insurers are now saying between inflated construction costs and increasingly frequent severe weather events, we've got to cut corners somewhere. But my goal was to just sound this alarm that this is short-term gain, a cheaper policy that has the potential to create long-term pain in terms of unrepaired mortgaged assets.

Rep. Jordan stated that I would separate the high deductible from the ACV. At least with a high deductible, you know what you're looking at. You have a definitive number. At time of a disaster, you know exactly what you're facing. I think with ACV, I'm hesitant that we're giving people who are either on fixed incomes or with limited means, a false sense of security that you have something that you really don't have because when disaster strikes you are not going to be able to afford it. And I think that's a concern for all my colleagues in Louisiana. We really have spirited debates about this and I think we're all concerned about our constituents and how they deal with that. And we've had several hearings on that. We can talk offline about it but I do think we need to figure out a way that if you have an ACV policy, that the constituent has an idea of what they're going to be facing as far as cost in the event that disaster strikes down the road based on consumer price index or based on inflation so they would be more in line with somebody that has a high deductible policy.

CONSIDERATION AND RE-ADOPTION OF MODEL LAWS

Sen. Theis stated that next, we have consideration of model laws. The first up is the Post Assessment Property and Liability Insurance Guaranty Association Model Act. The importance of cyber events has led Rep. Lehman to sponsor proposed amendments to the model, and as a reminder, these amendments were distributed during our interim meeting last month. No comments were received during that meeting or since. As Rep. Lehman cannot be with us today, I'll present the proposed amendments on his behalf. These amendments serve an important purpose. The state guaranty associations exist to safeguard policyholders when their licensed insurance company fails or becomes insolvent. These amendments are fairly straightforward in that they essentially recognize cybersecurity insurance as being within the scope of guaranty association coverage. And this makes sense since cyber insurance functions as property and casualty coverage but most of the guaranty association statutes across the country were developed well before cyber insurance was a thing and offered in the marketplace. There have been over a dozen states that have adopted these types of amendments, so it's important that the NCOIL model be amended as well. These targeted amendments provide needed statutory clarity, ensure consistent coverage determinations, and promote uniform insolvency administration.

Hearing no questions or comments, upon a motion made by Rep. Lampton and seconded by Rep. Jordan, the committee voted without objection by way of a voice to adopt the amendments. Then, upon a motion made by Rep. Jordan and seconded by Asw. Hunter, the committee voted without objection by way of a voice to re-adopt the model, as amended.

Sen. Theis stated that next up is the NCOIL Coronavirus Limited Immunity Model Act. The original sponsor of the model is no longer in the legislature, but Rep. Lehman was a co-sponsor and asked me to provide some remarks on his behalf. As this model was enacted to specifically address the issues pertaining to business liability and COVID-19, it is outdated and no longer relevant. Therefore, he doesn't believe we should re-adopt it and the committee should allow it instead to sunset. I agree with Rep. Lehman. This model was good at the time but is no longer necessary and I agree that it should sunset. If there is, God forbid, another similar scenario in the future, we can always bring it back up and adopt a model at that point in time. Hearing no questions or comments, the model sunset.

Sen. Theis stated that next up is the NCOIL Peer-to-Peer Car Sharing Program Model Act. During the interim meeting last month, there were some comments made about how there have been some changes in the peer to peer car sharing marketplace, and some interested parties would like to see some changes to the model. I'm interested in having those discussions so I think we should re-adopt the model until the November meeting in order for people to put pen to paper with suggested changes to the model, rather than re-adopting the model for the full five years. Hearing no questions or comments, upon a motion made by Del. Walter Hall (WV) and seconded by Sen. Justin Boyd (AR), the committee voted without objection by way of a voice vote to re-adopt the model until the November meeting.

Sen. Theis stated next up are the NCOIL Distracted Driving Model Act, the Property Casualty Insurance Modernization Act and the Property Casualty Flex Rating Regulatory Improvement Act. Sen. Theis noted that no comments were received on these models throughout the past several months.

Rep. Lampton stated that I'd like to just note that I introduced the distracted driving model in Ohio and I thought it was going to be easy to enact it as I had just began my time in the legislature but it took nearly two years to get it passed. I am pleased to say that we did pass the law and it is based on the NCOIL model and as a result we've experienced a 7% reduction in fatal crashes in Ohio. If your state has not done this I strongly recommend you do it. It does save lives.

Hearing no further comments or questions, upon a Motion made by Asw. Hunter and seconded by Rep. Wood, the committee voted without objection by way of a voice vote to readopt the remaining models.

ADJOURNMENT

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