

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
PROPERTY & CASUALTY INSURANCE COMMITTEE
JERSEY CITY, NEW JERSEY
JULY 16, 2022
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Property & Casualty Insurance Committee met at the Hyatt Regency in Jersey City, New Jersey on Saturday, July 16, 2022 at 9:00 a.m.

Representative Bart Rowland of Kentucky, Chair of the Committee, presided.

Other members of the Committee present were:

Asm. Ken Cooley (CA)	Sen. Bob Hackett (OH)
Rep. Stephen Meskers (CT)	Rep. Carl Anderson (SC)
Rep. Matt Lehman (IN)	Rep. Lacy Hull (TX)
Rep. Edmond Jordan (LA)	Rep. Dennis Paul (TX)
Rep. Brenda Carter (MI)	Sen. Mary Felzkowski (WI)
Sen. Mike McLendon (MS)	Del. Steve Westfall (WV)
Sen. Jerry Klein (ND)	

Other legislators present were:

Rep. Deborah Ferguson, DDS (AR)	Rep. Kevin Ford (MS)
Rep. Tammy Nuccio (CT)	Asm. Roy Freiman (NJ)
Rep. Kerry Wood (CT)	Rep. Wendi Thomas (PA)
Sen. Beverly Gossage (KS)	Rep. Jim Dunnigan (UT)
Rep. Michael Sarge Pollock (KY)	
Rep. Rachel Roberts (KY)	

Also in attendance were:

Commissioner Tom Considine, NCOIL CEO
Will Melofchik, NCOIL General Counsel

QUORUM

Upon a Motion made by Rep. Carl Anderson (SC), and seconded by Rep. Matt Lehman (IN), 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 Rep. Lehman and seconded by Asm. Ken Cooley (CA), NCOIL President, the Committee voted without objection by way of a voice vote to adopt the minutes of the Committee's March 5, 2022 meeting in Las Vegas, NV.

USING BLOCKCHAIN TECHNOLOGY TO LOWER STATE UNINSURED MOTORIST POPULATIONS

Robin Westcott, Vice President of Gov't Affairs, Legal & Compliance at the American Association of Insurance Services (AAIS) thanked the Committee for the opportunity to speak and stated that my background is from the great state of Florida which I still live in, residing in Tallahassee. I was a regulator there for a number of years especially on the property and casualty side and as the consumer advocate for the State of Florida many of my presentations as a consumer advocate were to working groups, to committees, and legislators for our state. That was the beginning of when I really began to be interested in what data can do and how it works in our state and as I left the State of Florida, the Department of Insurance there, I moved to AAIS and many of you are probably like, "Oh who are they?" AAIS, the best way I can describe it to you is that we are the only alternative program to the Insurance Services Office (ISO) throughout the country for many of the property and casualty lines. So, we're an advisory organization and statistical organization so data's kind of our life blood. We make forms, loss costs and manuals for many of the P&C lines. So, that's who we are and that's why data's interesting to us and when I came to AAIS, we started working around how do we procure more data? How do we do better with data that we have in order to help us build programs for the industry? So, we kind of took our head up out of the sand and looked around and realized that the entire industry has a problem around data. Many times it's very proprietary and over the past ten years we've seen where data breaches and other activity makes data, especially that of our consumers, vulnerable. And as insurance companies my kind of take on that is that we should be good stewards of the data that we have on behalf of our consumers. I never kind of left that whole consumer interest behind.

So, to bring us forward I want to talk very briefly and it's very difficult to talk about the North Dakota project without talking a little bit about the beginning of open IDL. Which is the open insurance data link. It is a distributed ledger blockchain technology that will help us with data in our industry. In about 2018 we began to look at using this type of technology for data. We had designed thinking sessions, many of the states that are represented here such as Mississippi, Connecticut, Virginia, California, Ohio participated in those design thinking sessions along with some very large carriers such as Travelers, Hartford, and Selective and other insurance organizations like Chubb, and began to look at how we could potentially use a blockchain network to solve some of our data issues. Now, that was how open IDL was born and we're still a not for profit at AAIS and because of our extreme commitment to trying to bring open source community into the insurance industry, we decided that the best way to protect the open IDL and keep it as an open source community would be to talk to the largest open source community in the world, the Lennox Foundation, which if you have a tablet, a phone, or a laptop here, you're probably running on some sort of Lennox underpinning. So, the Lennox Foundation accepted the open IDL as a project at Lennox and we donated all of the technology that we had designed into the open IDL project. So, open IDL actually does live now at the Lennox Foundation and we are very active with our organizational members of the Hartford, Travelers, Hanover, and others to start to build the network. Specifically, to begin with for regulatory reporting. As a stat agent we wanted to bring the first part of the network up around how do we get transparency and how do we answer questions that many times a regulator has that's kind of immediate and you guys can't wait two years for us to do a data call to make public policy. I think COVID was a very good example of that. We needed answers and we needed to understand some of the things around our industry but it was very difficult because there's no immediate access to data. You have to start thinking about the data call and how you do that.

So, let me briefly touch on the technology itself and the design because you have to understand what it is before you can understand the power and the potential that exists for blockchain ledger technology. So, everything you know about bitcoin and any of this other type of thing in the market and you think you know about blockchain, please forget it. That's not what we're talking

about here. This is a private permissioned network where no raw data ever goes on the network. Okay, so how's that possible? When we have an open IDL network, a blockchain distributed ledger network, we take these really interesting things called nodes and it's kind of like a data warehouse or data respiratory. And those nodes live inside the carrier's security walls. So, instead of you doing data calls or a state doing other data calls and there are already other projects around getting a lot of data and these huge data warehouses, instead of doing that, why don't we set up these individual data repositories inside and behind the walls of some very complicated and complex security at each company. And instead of passing data back and forth to answer questions, why don't we send the question to where the data lives and get an answer? Is that possible? Yes, it is. Why is this important to do it in a blockchain network? Because the answer that's given in response to the question can be created as what we call a hash or identity is given - given to the answer. And that is what is written to the blockchain. So, it's an immutable record, one block on top of each other. You can't change the blocks. You can make a new entry to show that something changed in the data but that lifecycle of that whole entire transaction can be completely captured on the blockchain without one piece of raw data being transferred so that's very important. Some of the criticisms that have come, especially as we've looked at the North Dakota project, have really been around, "Oh, you know, you're going to put people's data on the blockchain." No, we're not. We're actually going to make it more secure because we're going to create a situation where data does not have to be transferred outside of the environment that it's most secure.

What does that mean for data breaches and cyber security issues that we have in front of us today? Well, that means that instead of having large breaches for everyone's consolidated data that's living in some warehouse, which might be a very secure environment and they're always going to be attempts and places where people are going to try to get in and access that data, let's just keep it as individual data so that there's not an industry wide breach. It might be a specific breach but what it also means is that this network that the place to get in looks a lot like that. So, we're creating a network that allows for the security measures to stay much more in place for the data that we really think is important to store for our insurance consumers. So what are we doing in North Dakota and why is this important? In North Dakota, Commissioner Jon Godfread, who I have to absolutely commend and really appreciate the work and the attention that he's given on this project through his staff and I'd be remiss in not saying the same thing about Mississippi Insurance Commissioner Mike Chaney and Connecticut Insurance Commissioner Andrew Mais and some other commissioners who have been very committed to this project. But with Cmsr. Godfread, we actually had one of the design thinking sessions in North Dakota and he called in many of his top carriers, and we started talking about what would be a good use case? We've got all this work going on at the open IDL where we're building that data model and the data model's important because you want the data in those repositories to have a structure that can be easily identified. So, that work's going on over at the open IDL but we've already built the auto data reporting module which means that we have a format that people can, and carriers can start loading that auto data into their private nodes and the repository can be there. But one of the things that we wanted to do was to start to test the network - does this really work the way we think it will work? So, Cmsr. Godfread has gone through the legislative process and was able to establish a proof of concept specifically around the uninsured motorist problem.

Now, one of the things that we've seen is that there are already a dozen or so states that have certain reporting requirements for auto insurance carriers to send data. It's probably on a quarterly basis. It may be more frequent than that but there's an upload, and it's a large data warehouse. These types of activities are burdensome and expensive for insurance carriers, every data call, every stat reporting activity. And we're a lot of times replicating data and we're

reporting it to different places. So, the auto data is a good example of that and so you have states that have already said, "Hey we want to know if there's a policy in force" for this vehicle identification number (VIN) number. So, Cmsr. Godfread's proof of concept that has come forward is to let's see if we can do this very simply on a blockchain. We don't need the companies to load the entire auto statistical data plan, we just need a couple elements of data, one of them being the VIN number. Is this VIN number insured by this carrier? And what that means is that we can do that call and the way we do that is we send what we call a smart contract or extraction pattern and it asks a question of that data node that carrier has and it gives an answer. Now, right now, what we will be doing is setting up what we call an analytics node. So, the answers to whether or not that there was a match can go into this analytics node for reporting purposes and that sort of thing. The same thing would happen with statistical reporting. You would actually have some of the answers to your questions about the data such as how many roofs do you have and how many claims and how many hurricane claims? Some of those answers can go in that analytics node and then be reported back out. So, the North Dakota project, and the proof concept of it is to start with one thing, this idea of matching the VINs for the Department of Transportation that they hold in North Dakota with the VIN numbers for a policy with the insurance carrier.

Now, one of the great things that we can say about that is once we prove that this can be done, and we're pretty confident as we've run tests on the network before with the business interruption claims for COVID, and we know that this technology can work what that means is that the insurance carrier can then load that information starting monthly. You can actually go down to weekly. Eventually, this network could support a daily load of that type of day load data which means almost real time results on whether or not this vehicle was insured. Now, the proof of concept is limited to the ten top carriers for the state. We're not going to get a comprehensive answer for every VIN on this proof of concept. It's not designed to do that. The proof of concept is just to prove the technology works and that it can be expanded upon and scaled up and scaled out to create this connection and that we can eventually go to near real time data being reported. What's great about that is that you don't need to know a lot of information about the person, you just need to know whether they insured the car. So, just imagine if you can do that on a real time basis and you could understand that scope and the implication of how we could expand the blockchain network. Now, one of the things I'll also point out about the North Dakota project specifically is that if you look at almost every one of the agenda items that you've had throughout this conference, and probably if you went back the last ten conferences, it has some implication around how we handle data and how hard it is in our industry.

So, if you can think of almost every one of these instances whether it's a cyber security issue or whether it's pet insurance, or whether it's health insurance, or around insurability issues, if you thought about the ability to create these networks where insights from data could be shared very quickly without compromising the individual's data, how powerful would that be for our industry? And so, I'll close on that and I'm happy to answer any questions you have. We have a timeline now with the North Dakota project. We're already loading on our test node. We have a meeting in about two weeks in North Dakota with many of the carriers that are participating. One of the carriers, North Star whose actually an AAIS member has said, "Yeah we're good. Tell us how to do this and we're ready." But we will be meeting with the other carriers that are going to be participating in this. We're very excited about it. This is about building a network. This is about trying to make sure that we can protect our consumer data in a comprehensive way and giving great transparency and democratization, and I use that term with a different intent as I don't mean democratizing our data to run around and be free, of our data with control and responsibility, which is in my opinion, what democracy is about being as retained at the individual level.

Rep. Wendi Thomas (PA) stated that this is very interesting and sounds very good but my question is who controls the question that gets asked? Because that's the only flaw that comes to mind. The question is straightforward - is this insured or not insured, yes or no? I get that. But there are a number of questions which could get asked which come to mind could lead to assumptions that would be incorrect. Ms. Westcott stated that it really goes down to where I made the statement about it being a private secured network. One of things that happens in a private secured network is that the identity of the person asking the question has to be known to the other participants and permission has to be given or granted to allow that smart contract to execute against the individual data stores. That's why the work at the open IDL is so very important. It's where the permission tool is - the ability to create those questions and say, "Hey, I have a smart contract I'd like to execute against." That's where those parties are known to each other and you have to be a member of the network and there's a technical steering committee that will be responsible for much of the implementation of the security around that. But the interesting thing to that is that the open IDL, and everything we do, is transparent and built by the community for the network. Even those permission provisions. For this North Dakota project, AAIS will be developing the smart contract that we'll execute for this but I don't see a reason that as the network matures that you won't have others that will want to leverage that including the departments of insurance as they ask or issue data calls. It was really designed from the very beginning to answer data calls. But that environment, while the community can grow, the security controls around that are really built in the open source community. So how you do that, how you operate as a community, how you build something in a collective like that is controlled through that process.

Rep. Dennis Paul (TX) asked who would have access to this? Because like you said, there would be a group that would do it but would this just be insurance companies, that, in your example of the VIN number, say if I can find out all these VIN numbers don't have insurance I can just go ahead and market them and see if I can sell them insurance. Ms. Westcott replied yes, you can. Rep. Paul stated that but the government can have it and say, "Hey, these guys don't have VIN numbers, or don't have liability insurance" and our state requires liability insurance so I'm going to just go out and find these guys or ticket these guys at their house because they don't have insurance. Ms. Westcott stated that there are a number of possibilities that can happen. I think one of the important things we have to look at when you're building a network like this is that the insurance companies really need to have some benefit come out of it as well and one of the I think good examples of that is that we've been working with USAA in Mississippi and in their emergency management so that if you could connect some of the very immediate information that comes out of the first responders at a disaster in a hurricane zone or in a flood zone and an insurance company could have that very quickly, that could be very valuable information back to an insurance company to help their policyholder.

And so I think that there will be applications, and I'd like for you to think about it sort of like how applications or business grew on top of the internet. AAIS Chief Operating Officer (COO) actually worked on the internet engineering task force for UC Davis in the data banks, Joan Zerkovich, and if you're really curious go find the AAIS YouTube channel and you can see her interview Vint Cerf who is considered one of the fathers of the internet and the idea that there are business applications that will grow on top of this network, it's the same principle as it is for blockchain as it was for the development and evolution of the internet. The http protocols that runs the internet, that's open source and that's not hidden to people. You can have an identity on the internet. You can run that activity. But what people have done to build applications and business applications on top of the internet is very important and it's the same kind of concept. But there will be other industries we connect to. What if we can then connect to other industries

like the automotive industry that will be collecting telematics data, not just on autos that we have right now, but autos of the future and self-driving autos. All these things we have to have the ability to connect to other networks of data and this is actually how we would do it and this is the beginning stages of it. Rep. Rowland thanked Ms. Westcott for her presentation and stated that this is an important topic. Kentucky has struggled to have real time verification of auto insurance for years. As a retail agent, it's a lot of work on our part to send proofs to the local county clerk's office when if it were real time, it would take that responsibility off of us.

CONTINUED DISCUSSION ON NCOIL DELIVERY NETWORK COMPANY (DNC) INSURANCE MODEL ACT (Model)

Rep. Rowland, sponsor of the Model, stated that we've been discussing this issue now for several months and in the 30 day materials for this meeting, the first draft of the Model was included which I am proud to be the sponsor of. That is going to appear in your binders on page 288, for those of you that want to follow along. I think the current version of the Model is great but we are certainly open to making changes to the Model to make sure we get this right before we consider voting on it at the November meeting in New Orleans. So, before we get started I'll recognize my colleague Del. Steve Westfall (WV) who would like to make some brief comments. Del. Westfall stated that I'd like to be added as co-sponsor to the Model. I've had some companies reach out to me during our January session wanting some structure and wanting some legislation and I told them to wait until we get an NCOIL model to go off of. So, for those reasons I think it's a good bill and I'd like to be co-sponsor.

Brad Nail, representing Lyft, thanked the Committee for the opportunity to speak and stated that I did help to organize and facilitate the stakeholder process to date and I think it'll be helpful for the committee to hear about that process and where this current draft stands relative to the recommendations made by that group. We had over a dozen organizations represented on our conference calls, including insurers, the insurance trade groups, and different companies that are engaged in delivery activity. We learned that there are some important differences between the transportation network company (TNC) traditional Uber and Lyft business models that we're accustomed to now, and these DNC business models. In particular, there are no passengers being transported in DNC businesses, so the risk profile is different. Also, Lyft and Uber operated almost identically. So, rules that applied to one easily applied to the other. In the DNC world there are very different business models in play. So, we needed to think a little differently from the NCOIL TNC Model on a couple of areas to capture all the various business models and our language. Now, the draft before you includes definitions in section one that capture these various business models. In section two there's language that acknowledges that there may be existing federal or state laws governing the transport of certain types of materials. In particular, we're thinking about hazardous materials that have existing limitations or requirements in the law. So, we clarify in section two that those other laws still apply and supersede these terms if there's a conflict. Section three lays out the insurance requirements and some terms on how insurance policies might interact with each other when there is a claim. Section four includes the mandatory disclosures to drivers. And section five is the express authority for personal auto insurers to exclude coverage for this type of activity if that's what they want to do. So, this framework works for all of the stakeholders that we talked with. There are a couple of areas where the language within this framework differs from the language that the stakeholder group submitted and I think those differences are worth discussion here.

First, a definition was added in section 1F for "delivery available period" and that period is included in the insurance requirements in section three. Now, many of the delivery company business models do not include a delivery available period. They might have drivers working

from a schedule or in other ways, but they don't have people driving around logged into the delivery app awaiting a delivery dispatch. Some do but some don't. So, I think the intent here is to make sure that those companies that don't do that are not captured by this requirement which is appropriate. But I think some of the stakeholders may have suggestions for clarifying this further and just ensuring that they're not unintentionally captured in the definition. A second difference between this draft and the stakeholder input is the insurance limit in section 3B. The stakeholders suggested a liability limit equal to your state's minimum auto insurance limit. The draft references state minimum limits but with a floor of at least \$25,000/\$50,000/\$25,000. That structure's a little clunky for statutory construction and the model may benefit from just establishing a more definitive requirement. Also, there are 25 states where the state minimum is below \$25,000/\$50,000/\$25,000 so half the states would not be able to just simply cross reference their existing statutes. Of course, it's ultimately your role as the policymakers to determine what the appropriate minimum amount of insurance for this delivery activity should be anyway.

In that same subsection there's a requirement of uninsured motorist (UM) coverage in the amount of \$25,000/\$50,000. I think it makes more sense to remove the explicit requirement and instead include a drafting note that any other state mandated coverage, such as uninsured motorist, or personal injury protection (PIP), if you're a PIP state, or Medpay, whatever else may be included in your state's requirements, should be addressed as well in the state bill. There's so much disparity and variety among the states that it's hard to capture all those various schemes in a single model. The third difference is the inclusion in subsection 3G that expressly allows policies written on commercial paper to satisfy these requirements. I suspect this was included to try to allay the concerns of Buckle, one of the stakeholders, and I believe that Buckle has an alternative where this subsection 3G can be removed and we also remove from the definition of "personal vehicle" the unnecessary reference to "autocab, taxi, limo..." That was just borrowed from the TNC model and doesn't really apply squarely here. So, I think Buckle can speak more to this and the other stakeholders can render their opinions but that may be a satisfactory solution. So, I'll conclude here by just pointing out that we've had tremendous cooperation between all the interested parties and I think the Committee is in a good position to make final adjustments to the model and be able to adopt it at the November meeting.

Frank O'Brien, VP of State Gov't Relations at the American Property Casualty Insurance Association (APCIA) thanked the Committee for the opportunity to speak and stated that I'll leave it to others on this panel who will speak specifically to some of the comments that Mr. Nail has just laid out. I'd like to point out that NCOIL has developed a recognized expertise in the sharing economy space and this is the third or fourth model that NCOIL has been developing and we do expect that once this is in place that it will be moved forward in various states. The other thing I would note is the presence at the table here in front of you. Again, in recognition of NCOIL's leadership on this issue, you have the major players on this issue before you who are engaging in these discussions. And we appreciate your leadership, Rep. Rowland, in terms of helping us shape those discussions.

Andy Parr, Head of Insurance for North America at Uber, thanked the Committee for the opportunity to speak and stated that as Mr. Nail mentioned, we've been working as a group and have been very pleased and proud of the collaboration thus far on the model. I would say as a general comment, we're very supportive of model as it stands today and it is definitely a great start. We do think that there is room for improvement and more work to be done. Specifically, with respect to the coverages and limits as Mr. Nail alluded to. I'll specifically talk about the UM requirements under section 3B where today the model as drafted requires \$25,000/\$50,000 regardless of whether that standard is required of other drivers or commercial carriers in the

state. I would say to clarify, Uber's position is that we don't believe that UM should be required for a DNC as it's not an inherent risk that would justify the requirement of such coverage. However, if the coverage were to be required, we believe it should go no further than the minimum financial responsibility requirements that are already contemplated in state law. And to the state law's in different jurisdictions that allow for rejection of UM coverage in some instances, we would expect DNC's to have the right to reject such coverage. And in those states where there's limits required we would expect DNC's to comply and to have and maintain those minimum limits. Today, the model goes a bit further with those minimum limits than even the TNC model that came from NCOIL which is a bit nonsensical. The TNC model is silent on the issue and defers to the states in their ability to set the requirements for UM and other coverages as required by other law and does not set a minimum for UM coverage.

If the DNC model were to go forward in its current form, you would have a couple of illogical outcomes, one being that DNC's would have more onerous coverage requirements than TNC's in certain states where UM is rejectable, which doesn't align with the relative risk of the two different business models. And then secondly, more broadly, DNCs would be treated differently than other drivers and even other commercial carriers like taxis in those states where UM is rejectable. There is no need to have a mandated UM minimum in a model and instead it would be better to defer to states to be able to handle that accordingly on an issue that they've largely already contemplated in the minimum financial responsibility laws. That said, we remain fully supportive of model legislation in this space. Obviously, there's still a little bit more work to be done before we would be supportive of the model passage or adoption more broadly but we're certainly ready and willing to continue to work with everybody to make progress to that end and look to find some mutually agreeable language.

Jon Schnautz, Assistant VP, State Affairs at the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for the opportunity to speak and stated that NAMIC was part of the stakeholder group that the other speakers have alluded to and I think what everyone else has said is correct. The current version is very far along we think toward a workable model. I will say just from a general goal, NAMIC's goal here is to make sure that coverage is in place and that there's a clear legal framework to it and this is very far along toward doing that. I will mention one other issue that was in the stakeholder draft that is important to us, and we think important to include. And we don't think it's controversial at all but it's a lesson learned from the NCOIL peer-to-peer vehicle car sharing model. There's a provision in that model that addresses what happens if a driver crosses state lines. I'm from Austin, Texas so the idea of crossing a state line in a delivery is sort of far-fetched but in some states it's not and what that provision is there to say is that if that happens and you cross into a state with a higher limit, that the original insurance requirement would kick up to that higher limit so you wouldn't have a gap there. And the only thing I can figure is that was left out because someone may have thought the floating limit structure in the current version made that irrelevant and it doesn't necessarily because you still could have differences. We'll take back any other considerations from this discussion today and vet it with our membership, but I have no reason to think we can't get to something we can support in fairly short order and before the November meeting.

Jordan Bailey, Senior Legislative Policy Advisor at DoorDash, thanked the Committee for the opportunity to speak and stated that DoorDash, like others here, continues to support the development of a model bill. I think we recognize the importance of establishing guidance for states to look to when they're thinking about putting together standards for insurance for this industry. However, we hope that there can be continued discussion on several aspects of the model, some of which has been discussed here today. Another area I think is the extension of coverage requirements to the period when a driver is online and can review or reject trips but it

hasn't agreed to provide any services which under the model is referred to as the delivery available period. I think from DoorDash's perspective our view is that the delivery available period is non-commercial commuting time for independent drivers, at least for the DoorDash business model, and I think for others in this industry it's the same such that during this period drivers can review and reject trips all day. There's no minimum acceptance requirement. So, they really are able to do other things during this period and are likely to do so including commuting from home, to work, and maybe running other errands. We recognize that the NCOIL TNC model does cover online time but we think there are important differences between these two models which would lead to a possibly a different approach here. I think specifically, at least in the delivery context, delivery is much more likely to be supplemental versus more of a full or part time work, or gig work. Dashers, for example, are working less than four hours a week on the platform on average. So, you can imagine it really is filling gaps in other kind of commitments or personal activities. I also think the fraud risk during the delivery available period is higher in the delivery context because there's a much lower barrier to entry to get on the app. So, you can imagine it's very easy to sign up for the app, turn it on, and then at least under the current model get higher than minimum financial responsibility insurance coverage at least in some states while you're doing your personal activities or commuting work. I know we're limited on time so I'll leave my comments at that and just say we really have appreciated being part of the working group with others here and look forward to continued discussions to get to a model by the end of the year.

Marty Young, Co-founder and CEO of Buckle, thanked the Committee for the opportunity to speak and stated that Buckle is providing taxi, limo, personal lines, as well as our signature buckle gig product to drivers in over 20 states, and servicing over 50% of the U.S. population. We have thousands of appointed agents. Rep. Rowland, as an agent yourself, you know some very common questions that a perspective insured asks their agent such as "how much coverage do I need?" And "what happens when I turn on an app?" And I'll tell you the answer to that second question is, "I don't know" or "it depends." And that is a very honest and true answer. So, when we went down this process, we did it with a goal of creating clarity in that agent's office, clarity as an insurance company so we can provide products like other insurance companies that meet the needs of the insureds whether they're doing taxi, limo, personal, or gig. All of the above. I think we have gotten to a model framework with a lot of detail in it that is I think over a 95% solution. We're really close. My suggestion is that, as a career Army Officer one of the principles I learned in the Army was KISS – "keep it simple stupid." And I would suggest that as Mr. Nail mentioned, let's keep it as simple as possible. So, we had originally asked and suggested, "hey commercial already works." Taxis and limos are already doing this but it's probably easier to explain to somebody in that agent's office all commercial is included or all commercial is excluded from this model.

I think each state will do what it wants. That's a very easy conversation and I think the default of all vehicles are included in this is really easy to explain by an agent. The second thing is, we would suggest not to make any changes to statutory coverages whether those are new coverages beyond what a state requires by law today or changes in limits beyond what a state requires by law today. Again, I go back to the agent's office, I want to equip our thousands of agents to say, "Sir, these are the statutory coverages you're required. And when you turn on an app those statutory coverages remain." And that is as easy as it gets for an agent to explain. So, we would simply say we think we're almost there in terms of the model. Let's keep it simple in support of our thousands of agents trying to basically do the right thing and explain these coverages in order to provide our ultimate goal which is clarity to insureds and to the public and we would suggest that approach.

Daniel Guzman, General Counsel at Favor Delivery, thanked the Committee for the opportunity to speak and stated that I agree with a lot of what's already been said, so I'll be pretty brief. I do think this is a great framework. I do think this is some necessary legislation to close the coverage gap that currently exists and I'll probably echo a lot of the same feedback that my colleagues at Uber and DoorDash had as to the details of the bill. I'm confident that we can work out the few tweaks that are needed to get this done by the next session. So, in general, we're just very supportive of the Model and happy to be a part of the process.

Rep. Rowland asked Mr. Young if he is ok with the language that is in section 3G of the model that says a commercial automobile policy that provides coverage for these deliveries may be used as long as the policy complies with the model? Mr. Young stated that I think it's superfluous. If we go back to the definition of a personal vehicle and remove (e)(3) - if you strike that clause "not an autocab, taxi, limo, autobus, jitney, motor bus or other hired vehicle," the commercial exclusion is essentially pulled out. So, this applies to all vehicles whether personal or commercial and again, that's easy for an agent to explain. So, we would simply suggest that if you strike that, it gets simpler. There is a question of well what happens if I'm driving a "taxi cab" with a medallion on a certain geography - which other laws kick in effect where I have to have higher than a \$50,000 limit in certain states? Well, this is what Mr. Nail pointed out in section two, "interaction with other law." Then it would be incumbent on the delivery network company, if the commercial insurance did not apply to basically make sure that liability was in place. Rep. Rowland thanked Mr. Young and stated that I'm glad to hear that and I think it makes it easy for your retail agents to say, "Look, just to be safe, if you want to be in compliance with the DNC model and the law, buy our product, we're following each state's law. You know you're covered." Mr. Young replied, that's right. As you know, explaining this to folks with clarity and confidence is essential so it's important that we set up our agents for success.

Rep. Rowland stated that to comments that Mr. Bailey made around the delivery available period, my only concern is if the app is on and you got a driver that's surfing for different deliveries and he's excluding those all day long, he has an accident and during the discovery period someone finds out he had that app on. What if the personal auto policy excludes that and there's no coverage either place. How's that going to be addressed? Mr. Bailey stated that I think that's something maybe we can further discuss in the working group. I'm curious if there's changes around the exclusions in the model that we can make to address that issue. I think there's also probably tweaks to the definition of "online time" that we can make as well that would address some of our concerns.

Rep. Stephen Meskers (CT) stated that I have concerns about the business model and they're simply concerns as an individual as I sit on my insurance committee and I represent my constituents. We've got a business model where people are using an individual car for deliveries, right? And we're switching from their personal insurance to a professional or commercial insurance and with different caps. So, I think an accurate look at the business model and a conversation with property and casualty insurers that are dealing with the personal car owners' insurance is important. I want to make sure when we increase the circulation of cars that are delivering on a commercial basis, I want to know what their coverage is versus personal cars because we increase the delivery service and we have essentially a market that is potentially underinsured. We're going to end up with claims that end up on the personal car owners when we have a crash and the cars in circulation and the accidents on the commercial vehicles don't protect the individual car owner who's involved in those crashes.

So, I'd like to know what the loss histories look for the delivery services. I'd like to know whether that's borne by the individual consumers who have personal car insurance in those accidents so

that we have the adequate levels of insurance. I understand, that taxi and limousine dynamic. My son was involved in a three way accident, no fault of his own. The coverage limit was \$10,000 so that ended up on my policy. So, my concern is going to be are we transferring the risk and the profitability into food delivery service companies and taking the homeowner, or the individual personal liability car owner is paying for that. So, I'd like to know what the loss histories look like and make sure that we're doing an adequate assessment and not just using a business model that may or may not work. I mean, we're talking about a volume of traffic that's going to be transferring and all those drivers going from their personal coverage into professional coverage to do this business. And if I'm bearing the risk as the individual insured on a non-commercial vehicle, I'm not happy that I'm doing a transfer there. So, I'd look for some guidance from maybe NCOIL or from the property & casualty industry for losses on commercial versus personal vehicles when they're being involved in this kind of business model.

Mr. Nail stated that I think the issue that you've pointed out is a relevant one and it's one that we did really tackle in the TNC model debate, where someone is transitioning from using a personal auto on a personal auto policy to commercial activity under a commercial policy. I think we have enough experience under our belt in the TNC context that we know how to make that work where the individual insurers can cover or exclude that activity as they wish. It's clearly communicated in the policy. And with a model like this we know that there has to be coverage in place to step in in for those circumstances. Rep. Meskers stated that I appreciate there is coverage. My question is, is the coverage adequate to cover the damage done or are you transferring risk to the third party involved in the accident because the delivery coverage doesn't cover the damage done? That's a problem I think already in the taxi and limousine business that it's transference and I'm just worried.

Mr. Young stated that we support taxi and limo in over 20 states right now. We are currently covering not just livery people, but also delivery. A lot of our taxis are doing delivery right now. And for example, in Chicago, \$300,000 are the minimum limits to do taxi. The way this is constructed, as Mr. Nail explained, is that if one of these taxi's in the future is doing delivery and we're not covering it because they are taxi with a medallion in the City of Chicago, there would still be a \$300,000 limit because they would have to comply with the law, section three in the model. So, the idea isn't that if you're doing taxi or limo your limits will go down because you're doing taxi and limo and it's already regulated by other regimes. In most cases, the limits are going to be significantly higher than what this model may contemplate specifically for taxi and limo. Rep. Meskers stated that I want to make sure we're not transferring risk from a business model with commercial insurance now to individual car owners with their liability insurance because the accidents are going to be involved with the delivery guy, with you and me driving down the street with our family. And I want to make sure of the coverage because we're increasing the circulation under different a coverage level and I want to make sure it's adequate and that business model has to be looked at.

Rep. Matt Lehman (IN), NCOIL Immediate Past President, stated that maybe to build on that, we were very instrumental and worked really hard on that TNC model language and I think where we landed in the end was we put \$1,000,000 of coverage to kind of address the issue of having adequate coverage. So, I know some of the pushback has been well there's a difference between hauling people and hauling stuff but I'm more concerned on the third party and I'm the guy that gets hit either by an Uber driver with someone in it or a DoorDash with food in it. I'm still a third party. So, I'm a little concerned that we're kind of defaulting to state minimum. I'd like to just continue down the path of why it's different for the driver who's hauling people versus stuff and that would have that automatically default to a lower limit. The second issue I have is on the UM coverage. I know we didn't address that in the TNC model, and with UM there's so many

nuances state to state, but I guess I want to go to the issue of from a rejection standpoint. Because I'm a broker, but I look at it in terms of rejecting coverage by the entity on their drivers. I write a lot of trucking risks. They reject on behalf of all their drivers because they're the owner of the policy, they're the named insured. They then in turn are providing coverage for those drivers via Workers' Compensation because while they're driving, they get a Work Comp claim. If I'm an UberEats driver, or a DoorDash driver and you've waived the UM, what protection do I now have as the driver if I'm involved in a UM claim?

Mr. Young stated that I'll answer the first part of your question because we do a bunch of very different risks in the so-called gig economy. We would simply observe, and anecdotally I think you can all relate to this - you really don't want to order some food from some place 20 miles away. You're not going to do that. Most of the delivery that's going on is hyper local. It's grocery stores really close and restaurants really close. You're not going to order something that's more than a few miles away and so what you see is the driving is actually a very different risk class than so-called rideshare where people are taking rides to airports. I've even taken a rideshare from here to my home in Pennsylvania and that's a very different risk when you're doing big highway miles but most of delivery is very hyper local. It's trips to the grocery store, it's trips to the dry cleaners, it's trips to things that are just within a few miles and so these are not in general high velocity activities. Mr. Parr stated that and with respect to UM, I would highlight a few things, one being that the difference between the TNCs and the DNCs when you speak about UM, UM for DNCs is specific to the driver as you correctly pointed out. There are no passengers in the vehicle and those drivers would be aware of the coverage that's afforded to them by notices and by the platform before their participation so they'd be fully aware of the coverages that are there and this would be in states where drivers have the option to purchase UM perhaps, but many drivers may also reject that on their personal auto policy and I think there are other options that are available for those drivers if they choose to participate on a platform and still want protection. There are occupational accident coverages that are either included by some platforms by default or for optional purchase that would be able to help fill the gap for those drivers that did want to do so. Mr. Young stated that and as an insurance company we view that as our job to create such products.

Rep. Lehman stated that I have a question regarding the products. I've heard that some sort of occupational coverage is offered. Is that in compliance with work comp statutes within the states? Mr. Parr stated that it's not a Workers' Compensation product. It offers similar protections for injuries and wage replacement but it's not necessarily the same as Workers' Compensation. Rep. Lehman stated that I want to go back to when the comment was made regarding it being a different exposure. I'll push back a little bit on that because taking you to Pennsylvania's different than someone driving five blocks to my house but if I'm the person that gets hit because they ran through a stop sign one block from my house, I'm still at a state minimum limit and I'm going to end up back on my policy under a UM claim. So, I know the exposure's different but when you have the word "dash" in your name it tells me you're moving at a pretty good pace. And I'll be honest with you, we were in Indianapolis and there was a Jimmy John's and they delivered. This guy pulls out from his Jimmy John's pickup spot, cuts across six lanes of traffic and runs a red light. I don't know where he's going. He might have only been going two blocks, but there was no traffic. So, my question is if there's traffic and he still runs a red light, he's only one block from delivery, but he could have caused a serious accident that now by this model he would be defaulting to state minimum limits. I think that's an issue we really have to discuss before we get to a conclusion. Mr. Young stated that we generally build products that address what I call 98% of the situations. There will always be those situations where you do have bad actors, you do have fraudsters, you do have people that really probably shouldn't even be on the road. As a commercial insurance company, we try to match price to

risk but certainly, I believe all the TNC's and DNC's here are trying to find that driver and turn them off and certainly I think all the interests are line in doing that.

Rep. Paul stated that I'm from Texas also so this idea of other states was kind of throwing me off but, if we don't put a specific limit in the code like we were talking about, can the insurance companies sell this product? Because if you don't have an idea what state this guy might drive through, would you just automatically sell him at the highest minimum that it would be? If it's in New York with the highest minimum, I might be in California but I'm paying that because I might drive through New York one day. How do you set a price on that? Mr. Young stated that we ran a lot of Texas business in Houston and there are a lot of folks that go into Louisiana and vice versa. As an insurance company we know how to solve this problem and price appropriately based on where people live. It's a very common problem. So, although Texas is a big state, you do have some neighbors where we have a lot familiarity with not just building products but explaining to our customers how these things may interact not just when they go to different states but they drive into Mexico. So, we know these problems quite well and I believe as a commercial insurer, and as an industry we know how to solve that problem. Rep. Paul stated that I live in Houston so you're saying that my experience if I'm working in Houston, you'll take into account that 10% of the time I might go to Louisiana or might go to Mexico. You put that in your price and you solve it out that way? Mr. Young stated that's correct and again we do admitted lines, so everything we do is in partnership with the Texas Department of Insurance so we know how to do that. Mr. Nail stated that's the answer from the insurer perspective. From a statutory perspective most of your states are going to have deemer statutes or something in the law that already dictates that higher limits apply when you travel in another state. So, what Mr. Schnautz was speaking of would be replicating that here within this context so there's consistency between what happens on a personal auto policy and what happens here.

Rep. Rowland stated that your personal auto insurance policy works that way, actually. If you buy minimum limits, and I hope you're not buying minimum limits, but if you go to a state that has higher limits your personal auto insurance policy automatically defaults to the higher limits. Rep. Paul stated that's good to know because we had a situation where you have minimum limits but people hit you and the minimum limits aren't even enough so 90% of the time you must use your underinsured motorist coverage. Rep. Rowland thanked everyone and stated that I appreciate the discussion this morning and the work that working group has put together in providing your suggestions to us on what the model should look like. The Committee will keep working on this and we'll make some decisions on what we think the final product should like. I'm hopeful that during my last meeting as chairman of this Committee in November that we can pass this. If we need to have, I'm open to, having another interim Zoom meeting to work out some of these issues we've talked about today and we'll coordinate that with NCOIL staff.

INTRODUCTION AND DISCUSSION OF NCOIL DOG BREED INSUARANCE UNDERWRITING STUDY & BREED PROTECTION MODEL ACT

Rep. Rowland stated that we will move along to the next item on the agenda, which is the introduction and discussion of the NCOIL Dog Breed Insurance Underwriting study and breed protection model act (Model). The primary sponsor of this model, Asm. Kevin Cahill (NY), NCOIL Vice President, is not here today so we'll hold off on committee discussion of the model and instead hear briefly this morning from the co-sponsor of the Model, Rep. Tammy Nuccio (CT), and the speakers that we have on the agenda. After today we will discuss with the sponsors how they would like to move forward with the model.

Rep. Nuccio stated that you can find the model on page 293 of your binder. I'm happy to bring forward this model as a co-sponsor and if necessary, I would be happy to serve as prime sponsor going forward. I know there's been discussion around whether or not it's wise to have both the underwriting provision, section 2, and the data collection provision, section 3, in the same model. Having both is a unique approach and states that have addressed this issue have basically chosen one or the other so this is definitely different from what we've seen in other states. I am supportive of breaking them out if necessary. If people don't know, not only am I an insurance legislator in Connecticut, but I also work in the industry and I believe that we have an accountability and a transparency requirement and if we're going to be pricing things differently than we should have verifiable and sustainable data to validate why we're pricing them differently. So, I think we have four states now that have passed legislation similar to what we have here without the two being mixed and two that are doing the data call approach. I do have some concerns around the data call that is out there and I would be willing to work with anybody to refine that down so we are actually looking at claims that are relevant to the pricing of different policies for different breeds. So, with that I'm interested in hearing from the speakers that we have here today as to what their thoughts are on the model as it stands or the possibility of splitting it out and I look forward to working with the committee in the future.

Ledy Vankavage, Senior Legislative Attorney for Best Friends Animal Society, thanked the Committee for the opportunity to speak and stated that we are supportive of a model because a framework is needed. This year Arizona was the latest state to pass a bill on this issue and last year, Nevada and New York also passed legislation. So, it's fitting that we're here in this shadow of the Statue of Liberty because Best Friends believes that responsible pet owners should have the right to own whatever breed of dog they choose and we know that dog breed is not a factor in bites. We had wonderful testimony on that in Scottsdale and since that time there was a study that was mentioned in Science Magazine where it says dog breed is generally a poor predictor of individual behavior and should not be used to inform decisions regarding the selection of a pet dog. So, we wholeheartedly believe that. We like the approach of section two of the model. We think that's a very good start but we do think that the data collection can be flawed, section three. Massachusetts has shown us that. We think the data is extremely problematic there, and breed of dog simply does not matter. So, we would prefer something like Nevada did where they said basically an insurer may not ask or inquire about a specific breed of dog. But again, we're excited about NCOIL taking this up because it is going to keep popping up. Over 60 million families own dogs and 95% of them view them as members of the family and when you get a dog, you don't think I need to contact my insurance agent. You just don't think about that before you adopt a dog. So, that's one of the things that we want to make sure consumers are protected and they don't have to lose their insurance or find another agent simply because they adopt a dog. And housing and insurance is the number one reason why dogs end up in animal shelters in the United States at a huge cost to our taxpayers.

Mr. O'Brien thanked the Committee for the opportunity to speak and stated that this issue has been at NCOIL over the past several meetings where we have had no shortage of controversy associated with it. Notwithstanding that controversy, and in keeping with the legislative and political process which we are all familiar with and a part of, there were several opportunities for engagement in discussion amongst parties and that indeed did take place. Asm. Cahill was able to put together a draft which we believe on behalf of APCIA represents an excellent starting point for a continued discussion relative to this issue. From an insurance industry point of view, the fact that there is a dog in a premises does represent an increased risk. However, we do understand and appreciate that our customers' attitudes toward dogs and other pets in the household has changed, is changing, and will continue to change. Nonetheless, we believe that particularly section two of this particular model does contain language that provides us with the

opportunity to have an appropriate balance between our need to evaluate risk and to price accordingly and as a result to provide the product. So, we expect to have continuing discussions relative to that. I'm optimistic that a solution can be accomplished and perhaps somewhat surprisingly given the level of controversy associated with this issue, I think there's a very good opportunity for a compromise between the parties to be available in time for the November meeting. Relative to the data provisions within the model and looking at them, there are significant differences of opinion amongst folks relative to the data provisions from APCIA's point of view. We believe that it would be an appropriate policy decision on the part of NCOIL to remove the data gathering provisions particularly if the language in the earlier part of the model is accommodating for all of the parties. So, to sum up, we believe that there is a model here that we can work with and once again, NCOIL has succeeded in bringing the parties to the table and producing a possible solution to a problem which has been highly controversial for a number of years.

Jessica Simpson, Senior Public Policy Specialist with the Humane Society of the United States, thanked the Committee for the opportunity to speak and stated that I am here in support of the proposed model. Growing consensus of public and private entities have acknowledged that dog breed is not a reliable indicator of behavior and that breed specific laws and regulations do not increase public safety. While historically the insurance industry has been allowed to impose exclusionary policies on dog owners without evidence that certain dog breeds are riskier than others, policies with limitations and restrictions on dog breeds severely reduce options for consumers, disproportionately affecting low-income households. These types of policies contribute to housing insecurity, unnecessarily use up finite resources of local animal shelters and cause undue harm to responsible dog owners. We appreciate the committee's consideration of this important policy. However, we are concerned about the data provisions within the model. There are no formal statistics on or reporting mechanism for dog bite incidences in the U.S. which means that often information collected is based on physical descriptions which are influenced by personal biases. Additionally, numerous peer reviewed studies show that dogs are individuals and that breed is a complex issue that doesn't neatly translate into predictive behavior patterns. Consequently, we believe it is not a good practice to rely on subjective, often unverifiable, information in an attempt to determine risk analysis. The flaws in this approach have been validated by much of the unhelpful data that Massachusetts has collected over the course of their three year period. So, rather than arbitrarily excluding certain dogs, we believe that insurance companies should identify individuals that have individual dogs that have a displayed dangerous behavior and use that information to evaluate risk.

Ngozi Nnaji, Principal of AKO Brokerage Services, thanked the Committee for the opportunity to speak and stated that although new to the legislative and regulatory space, I am not new to the insurance industry. With 25 years of experience, two degrees in the insurance industry space holding various leadership positions including that of National Board Member of the National African American Insurance Association, I sit before you today as a black independent agency owner in Connecticut here to provide a different perspective. As you might be aware, America has a had a long history of negatively connecting dogs to race. Since slavery, society and government have feared the ownership of dogs by people of color. It has been documented that even the forefathers of our country, George Washington and Thomas Jefferson, whipped or even killed their slaves for having dogs, also hanging the dogs that slaves owned. Some states even wrote into law slave dog bans, like South Carolina in 1859. We see the same systemic racism occurring over time through pit-bull bans in Miami and Denver to keep Latinos and Cuban immigrants out and in Sterling Heights, Michigan where supporters of the ban felt it was necessary to keep inner city people out of their towns. With that, I'm sure you're asking why I care about breed specific underwriting practices. I am a black agent and I view this as a

modern-day version of red lining. These policies adversely impact my ability as an agent to assist the black and brown families that I serve and help them live in the communities that they want to live in. It prevents me from helping them protect, in most cases, the largest asset that they own and create generational wealth. To underwrite to breed and not to behavior is discrimination and speaks to the inherent bias that exists in the data, the process, and the outcome. The National Caucus of Black Legislatures agreed and passed a resolution in support of eliminating these breed specific restrictions. I know the language that I'm using here is a little strong and I recognize insurance companies are not intentionally trying to discriminate against their insureds. However, my intent here is just to bring forth a perspective that needs to be considered and an appreciation around the implications that these restrictions have on race and discrimination. I have reviewed the language and I'm in support of what has been presented here.

Tony Cotto, Director of Auto and Underwriting Policy at NAMIC, thanked the Committee for the opportunity to speak and stated that on behalf of our more than 1,500 national, regional, and local carriers, I'm here to express significant concerns with section three of the model. As with virtually every other risk and rating factor in the extremely competitive homeowners and renters insurance markets, the propensity of dogs to cause damage or losses is one for which different insurers take different approaches based on the information available to them. The industry is far from monolithic here and this competition ultimately benefits consumers, especially the 60 million households with dogs that we heard about earlier around the country. Whether and to what degree a dog's breed affects a risk, its presence in a home creates, either for its propensity or for the extent of harm that it could cause, is a matter of ongoing debate. That debate however, will not be resolved by section three's mandated two year long data call with a collection of extensive detailed claims data particularly since the data in question may actually be impossible to verify or highly subjective and prone to conflicting accounts. I think that's actually something we've heard across the table, is the way that the data is collected and what data is being collected is highly subjective here especially when you talk about whether a dog in a particular claim was "provoked" there's going to be differing accounts of what happened there. Or whether it's been the subject of past training. There's a lot of different training out there. Or undefined complaints. People complain about a lot of things that are never substantiated when it comes to a lot of these pets. So, particularly in the current environment where we as an industry are facing evermore detailed data calls the investments of time and costs of this complex data collection effort would not be insignificant and would ultimately be borne by all policyholders. So, particularly in light of the fact that section two of the model already reflects a certain level of policy judgment, NAMIC respectfully recommends the removal of section three. NAMIC is also committed to doing the work that needs to be done to get this to a decent place.

Rep. Rowland thanked everyone for their comments and stated that as noted earlier, we're not having committee discussion on it today, but we are going to work with the sponsors and see how they would like to proceed. It sounds like there might be the possibility that this model could be considered at the November meeting in New Orleans.

CONTINUED DISCUSSION ON NCOIL INSURANCE UNDERWRITING TRANSPARENCY MODEL ACT

Rep. Rowland stated that we'll move on to our final topic this morning which is the continued discussion on the NCOIL Insurance Underwriting Transparency Model Act (Model). This is another issue that we've been discussing for several months and a lot of work has gone into this. I'm going to turn it over to the sponsor of the model, Rep. Lehman.

Rep. Lehman stated that I want to thank everybody who has participated so far. I'd be lying if I didn't say I'm a little disappointed at how there's not been as much engagement as I thought there'd be from the industry. Long term, the collection and the use of consumer data by really any industry will continue to be scrutinized and viewed through this lens of privacy and transparency. It's either going to come from lawmakers or regulators. So, with that as the backdrop what I'm really after is if you look on page 284 in your binders, I laid out a letter there that basically lays out the current issues that we need to discuss. The latest version of the Model is also there and we do need feedback on this and I urge everyone involved including legislators and industry to give feedback on this as we get this into place for public policy. If you look at recent developments in terms of what's happened in the State of Washington, I think we're heading towards a sense of urgency to this and I think there needs to be this conversation on these issues because if not, I think the default is we just have to come up with a better answer to the question of what has impacted my rate? Why did my rate go up 20%? The answer of "we just don't know" is not acceptable. And part of the problem is I think silence and some ambiguity in those responses just creates massive amounts of doubt. So, when I tell my client "I'm really not sure. The company took an 8% rate increase across the board, but yours went up 18%." That's not an acceptable answer. And so immediately they go to, "well is it this?" And I don't know. So, I appreciate the industry's engagement in this and I think again, if you look on page 284 I think we're down really to about eight or ten issues that just need to be debated and resolved and I really want to get this to a place where we can put a model out and get this into some of the states before the regulatory response is, "it's just not going to work" and you get to where across the board there's some bans on things.

Mr. Schnautz stated that just for some level setting, early this morning we did send some comments in response to the memo that had been in the 30 day materials. Those comments cover in much more detail what I'm going to mention today. From a broad standpoint, NAMIC is very supportive of the concept that accurate, transparent information provided to consumers so that they can make intelligent decisions in the insurance marketplace is a very good thing. We also understand more specifically the concerns that Rep. Lehman just expressed about the need for more specific disclosures and I hope it's clear that we remain committed to trying to work towards something that we think will have real value to consumers. With that said, I do want to be clear that we don't think the 30 day materials version is at that point yet and I'll try to be more specific in just hitting some of the high points of our concerns but again, the written comments that are available will go into that in more detail.

First, we think the disclosure is far too broad. There are basically two disclosures included. The first one appears to be a general disclosure that almost anyone can make and that would charge the insurer with determining what the ten most important factors are in calculating premiums and trying to respond. We don't really think that gets at the heart of the matter. It has concerns for proprietary information and all sorts of other points. I can elaborate on that if there are questions. On the more individualized concern, it is closer to what we think we could support and what industry can do but it also has a lot of issues. Namely, it injects this concept of "not inherently related to the risk." I'm sure that was well intended to try to limit the factors that are included here but it really interjects another subjective concept in the bill that we think we just makes it more complicated. Further to the point, it is not as clearly limited as it could be from our standpoint to external data, which we think is what this bill is basically about and we think there are ways to make that standard more objective. And then a final point. It is not an on-request process, that particular notice. And it also applies to things other than premium increases. And we think from a practicality perspective, and cost perspective, and value standpoint, the thing to focus on here would be premium increases, and premium increases that as Rep. Lehman alluded to, are not simply driven by "well their rates went up 10%, so yours did too." And we

know that's not the goal but we think that concept can be nailed down a little bit more. And then the final point I would make is, understanding all the concerns that Rep. Lehman stated and being very much in sympathy with them, I do want to put out the concept that complexity and insurance pricing is not an inherently bad thing. What's going on here is insurers trying to use better data to better price their products and to better serve markets, and ultimately that benefits the insurance market and we think it benefits consumers. We know it's not the goal of this to in any way undercut that but we do think it's very important to try to strike the balance between processes that insurers can implement at a reasonable cost that will have actual value to consumers and that those goals stay in line and that we not do more harm here than good.

Mr. O'Brien stated that Rep. Lehman has put forward an issue that goes fundamentally to the heart of our relationship with both the producer community as well as with customers and he put his finger on one of the key items here, which is if you can't really explain how the price was arrived at, how's someone going to be able to take your word for it that the price that you arrived at is the correct price? And they're going to walk away with some doubt and that's a fundamental trust issue associated with the insurance transaction. Rep. Lehman expressed some disappointment with the industry relative to the level of engagement perhaps with him personally relative to this. We've had a number of conversations but I can assure Rep. Lehman and I can assure the committee that this issue is a little bit like an iceberg – 80% of it is below the surface. In my organization at APCIA we have multiple committees that are taking a look at this issue. There are significant operational and very practical challenges associated with this and there are some very interesting and very complicated questions that are being asked amongst our members.

The model in the 30 day materials proposes what we would refer to as a dynamic notice. That is a notice that is built for the particular consumer. That is significantly more complicated than putting together an enhanced static notice. We're also wrestling with the issue given the complicated nature of multivariate rating factors and algorithmic based pricing practices. How do you put something together that is going to explain things to a consumer in such a way that it is understandable? And when I use the term understandable, please don't mistake my statement in that regard to suggest in any way shape or form that I'm denigrating the ability of a consumer to understand things. But if you don't put together something that's useful it ends in the circular file. How many different notices and whatnot have we seen that ended in a circular file? So, how do you balance the sometimes competing sometimes not competing need to provide an appropriate amount of disclosure and transparency? And do so in a way that's understandable and useful to consumers? It's not an easy thing, but I can assure you, and I know that in some ways I'm talking about generalities here, but we have some very smart people and multiple committees taking a look at this and we understand the urgency associated with this matter. NCOIL is again, taking a leading role in this. This is also an issue that is currently set to be, or is being considered at the NAIC and we are beginning to see an increasing number of individual states who are looking at this as well. So, we do expect that the states as well as others are going to be looking to NCOIL for leadership in this issue and we intend to remain very focused and we will be engaged with the committee and with the sponsor on this going forward.

Rep. Meskers stated that I think this goes to the heart of a question of both fairness and inclusiveness in terms of coverage and understanding what, at some level, that proprietary algorithmic model looks like. It's important to understand how you get to your pricing. I'd additionally add what would be helpful would be as a state legislator is to understand if you're looking at the insurance pools across state lines, what particular policies we as legislators should be looking at to enact to drive down the costs of insurance. So, what coverage are we covering whether it be in property and casualty or health insurance? How do we improve outcomes

through legislation so we can drive the cost on policies? Trying to figure out how much you want to disclose of your model versus your competitor's models, it's a hard request, but it would be helpful to get something that deals with policy as well. Mr. O'Brien stated that I would point out that this debate and the companies that my organization represents, we're in the P&C space. And I know based upon your comments in previous committee hearings that you're particularly concerned about the health insurance space. Relative to costs and whatnot associated in the P&C space, yes we like to price our policies with a sharp pencil, if you will, to borrow that cliché. Having said that however, we are unfortunately in a high inflation environment. Costs are increasing for lots of things. Including lots of things that we pay for when we are covering a claim. We do endeavor to price our policies in such a way that they are attractive in the marketplace while we manage our risk. And your colleague who I believe is an actuary in the industry, can well appreciate that as well. So, it is a challenge and transparency and communicating with our policyholders as well as with the regulatory community is an important part of that.

Sen. Mary Felzkowski (WI) stated that this is kind of a comment more so than a question but I would like to know your opinion on it. I think we have to be very careful as regulators when we get inside these business models. Every insurance company has an appetite for different types of risks and as agents, we know that. So, we kind of gravitate towards that company. Maybe it's young drivers, maybe it's whatever. But we also have the ability, because renewals come out X number of days ahead of time, and if they come out with too high of an increase based on law, they have to come out 45 or 60 days ahead of time where we can take a look at that. Maybe we compare it to the next company. Rates are going to fluctuate but if it's an excessive rate, it's got to get approved by the regulatory body in that state. So, trying to put the burden on insurance companies to say how every little rate is developed, it's not like the days of a pen and a pad where it was your age, the type of vehicle you drove, and what accidents you had. I can't even imagine everything that goes into developing the rates with a computer based system today. I just think we need to be cautious on what we're demanding and driving up the price even further when there are options within a competitive market for us as agents to be moving some of those risks around and answering those questions. And I'll be honest, I've never had an insurance company not send a letter to an insured with the explanation of why their rates went up if it was excessive, or we felt it was excessive.

Rep. Lehman thanked everyone for their comments and stated that let me rephrase how I started my conversation which was on the lack of engagement. I'll say it this way - I think those who are traditionally here at NCOIL have done a good job but I thought the industry might respond more as a whole. And to the issue of we have other options, I kind of put this into two categories, heavy lifting yet to do and light. I think of the light, we talk about what's going to be the trigger to disclose? What's going to be the percent that we have an increase? How many factors go into this? Is it going to be new or renewal? We already know it's P&C only. And then some definitions as well. I think the heavy lifting still is going to be narrowing the disclosure. And we want to make sure we're protecting the proprietary information of the carriers and that their secret sauce stays secret. Regarding Sen. Felzkowski's statement that she never had an insurer have an increase that they haven't disclosed, I'm from a state that doesn't have a mandatory disclosure of a certain amount of increase so some of mine just show up and hey I got my renewal in the mail and it went up 22%. Why? There's no requirement of a disclosure. So, I think every state's going to be a little bit different but I think that's going to be a heavy lift is what's in that disclosure. And that brings us to the operational challenges in how do we disclose when we have such nuances of rating and so many factors that do go into this and then do we put it in a format that's understandable to the public. You know, we had credit score, we've had that for years now and we said you have to disclose the main factors that went into that. So,

we've been down this path before. The difference is on credit, almost everybody's factors are the same. You have too much credit, you haven't paid your bills, or there's been too many inquiries. But this is different. So, those are things that I think are more the heavy lifting. I look forward to working with both your organizations and your members.

CONSIDERATION OF RE-ADOPTION OF MODEL LAWS

Rep. Rowland stated that we'll move on to the final topic which is consideration of the readoption of five model laws: Auto Insurance Fraud Model Act; Asbestos Bankruptcy Trust Claims Transparency Model Act; Certificates of Insurance Model Act; Travel Insurance Model Act; and Model Act Regarding Use of Insurance Binders as Evidence of Coverage. Per NCOIL bylaws, all model laws must be readopted every five years or else they sunset. We had these five model laws discussed on our interim meeting agenda last month for the purpose of soliciting feedback before we vote on them today. We did not hear any comments at that time but I believe this morning we do have a comment regarding the Travel Insurance Model Act.

Duke de Hass, Vice President and Deputy General Counsel at Allianz, thanked the Committee for the opportunity to speak and stated that I just want to talk briefly about the travel insurance model act which NCOIL did excellent work on in 2017 actually. The great state of Louisiana was the first state to adopt a version of the NCOIL travel insurance model act. Subsequently, the NAIC did work using the NCOIL framework as the basis for the NAIC model act which they eventually adopted in 2018. We are now up to 29 states that have adopted the model. It has been extremely successful. It's extremely important to the industry to establish a regulatory framework and some certainty for the industry. We're continuing to work out west primarily now to get the model further adopted.

Hearing no further questions or comments, upon a Motion made by Rep. Lehman and seconded by Del. Westfall, the Committee voted without objection by way of a voice vote to re-adopt the five models.

ADJOURNMENT

Hearing no further business, upon a motion made by Asm. Ken Cooley (CA), NCOIL President, and seconded by Rep. Carl Anderson (SC), the Committee adjourned at 10:45 a.m.