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NAIC/Consumer Liaison Committee
Indianapolis, Indiana
March 23, 2025

The NAIC/Consumer Liaison Committee met in Indianapolis, IN, March 23, 2025. The following Liaison Committee members participated: Grace Arnold, Chair (MN); D.J. Bettencourt, Vice Chair (NH); Lori K. Wing-Heier represented by Sarah Bailey (AK); Mark Fowler (AL); Alan McClain (AR); Ricardo Lara (CA); Michael Conway represented by Debra Judy (CO); Andrew N. Mais represented by Kurt Swan (CT); Trinidad Navarro (DE); Michael Yaworsky represented by Sheryl Parker (FL); Dean L. Cameron represented by Randy Pipal (ID); Ann Gillespie represented by Corbin McGhee (IL); Marie Grant (MD); Angela L. Nelson represented by Jeana Thomas (MO); Mike Chaney represented by Ryan Blakeney (MS); Mike Causey represented by Angela Hatchell (NC); Jon Godfread represented by John Arnold (ND); Justin Zimmerman (NJ); Scott Kipper represented by Alexia Emmermann (NV); Adrienne A. Harris represented by Sumit Sud (NY); Judith L. French represented by Jana K. Jarrett (OH); Glen Mulready represented by Donna Dorr (OK); Andrew R. Stolfi (OR); Michael Humphreys (PA); Cassie Brown represented by Randall Evans (TX); Jon Pike (UT); Scott A. White represented by Zuhairah Tillinghast (VA); Nathan Houdek representing Sarah Smith (WI); and Allan L. McVey represented by Joylynn Fix (WV). Also participating were Heather Culpepper and Lori Plant (AR); Lori Dreaver Munn (AZ); Lucy Jabourian (CA); Susan R. Jennette and Jessica Luff (DE); Charles Whitehead (NC); and Julie Blauvelt (VA).

1. <u>Heard a Summary of the NAIC/Consumer Participation Board of Trustees Meeting</u>

Commissioner Arnold said the board met March 23, 2025. During this meeting, the board took the following action: 1) received an update from Lois Alexander (NAIC) on changes to the 2025 Consumer Representative Online Application that will be made prior to the application period for 2026; 2) discussed the governance, structure, and operations of the Consumer Participation Program and assigned a work group to draft minor changes to the plan of operation for discussion at the Summer National Meeting; and 3) discussed recruiting strategies to attract applicants specializing in property/casualty (P/C) insurance. Commissioner Arnold asked liaison committee members and consumer representatives for their assistance in pursuing such applicants, especially those with homeowners' insurance and senior issues advocacy experience.

2. <u>Heard a Presentation from The AIDS Institute, Arthritis Foundation, and NHeLP on How Federal Actions Will Impact State Regulation of the Health Insurance Market</u>

Stephanie Hengst (The AIDS Institute), Anna Hyde (Arthritis Foundation), and Wayne Turner (NHeLP) presented updates on federal actions affecting the health insurance marketplace, including enhanced premium tax credits, proposed cuts to Medicaid, and preventive services updates. Hengst discussed the potential impact of the *Braidwood vs. Kennedy* federal court case on preventive services and the importance of enforcing the no-cost preventive services requirement at the state level by ensuring information is clearly provided to consumers. She said the Supreme Court will hear the case, which challenges the Affordable Care Act (ACA) provision that requires most private insurance to cover U.S. Preventative Services Task Force (USPSTF)-recommended preventive services without cost-sharing. Hengst said potential implications include state employees losing preventive services and no-cost coverage, long-term rise in premiums, increased out-of-pocket costs, deferred care, and surges in preventable diseases and subsequent health costs.

More than 150 million non-elderly Americans could be impacted if no-cost preventative services are struck down by the court. She said that no-cost preventive services are in place now and must be enforced. *Braidwood vs. Kennedy* will be heard on April 21, with a ruling in the summer. Hundreds of patient and provider groups have filed amicus briefs. Hengst said the impact would be out-of-pocket costs deterring consumers from seeking services such as screenings for cancer, mental health, pregnancy, sexual health, weight, and tobacco. She said care could be deferred or delayed, which could result in worsening long-term health outcomes as well as increases in preventable disease and health disparities.

Hengst said the consumer representatives' report indicated that preventative services coverage and no-cost protections are inconsistently and inequitably implemented. She said there are gaps in the plan material descriptions, a lack of guidance to providers on coding preventative versus diagnostic, and confusion around how formularies list preventative medications (especially PrEP preventative medications) as covered without cost-sharing, using notations that are difficult to follow. Hengst suggested that state insurance regulators: 1) enforce no-cost preventive services requirements; 2) ensure consumers have clear information upfront about their coverage by putting the preventive services list online where it is easily available during the open enrollment shopping period; 3) update state insurance and marketplace websites to include information about no-cost preventive services; 4) confirm preventive services coverage through data calls, rate review, and the qualified health plan (QHP) certification process; 5) work with state legislature to enshrine protections in state law as these 15 states did: California, Colorado, Connecticut, the District of Columbia, Delaware, Maine, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon, Vermont, Virginia, and Washington; and 6) publish consumer-facing reports identifying health plans that have weak preventive services coverage.

Commissioner Conway asked what approach states should take if the USPSTF or other like entities are weakened or dissolved. Hengst said the best option would be to work with state legislatures to codify preventive services into state law and encourage the issuers to continue to provide these services at no cost. Turner said the USPSTF itself makes its deliberations free of political influence, but there is some concern that even if the task force survives, it may be gutted. He said states should try to tie their preventive services to the USPSTF's existing A and B recommendations now and then construct or designate a state entity to provide those updates should USPSTF no longer provide the updates, which is what Colorado is considering. Turner said it is an important model for other states to follow.

Commissioner Lara said California has been trying to incentivize more insureds to use PrEP and to see if health care insurance companies or their carriers would give consumers a policy discount for using PrEP. He said carriers had previously been charging people more if they were on PrEP because it was viewed as risky behavior when it is the opposite. Commissioner Lara asked what Hengst thought about the possibility of requiring health care providers to give premium discounts to insureds who are on PrEP in states that are trying to incentivize healthy behaviors. Hengst said it is a great idea that could potentially reduce costs for the insurers and incentivize people to get the PrEP services that they need because money is a driver for a lot of people.

Hyde discussed the importance of extending enhanced premium tax credits, highlighting the economic impact if Congress does not act by the end of the year. She emphasized the interconnectedness of the health care ecosystem and the potential loss of jobs and tax revenues. Hyde recommended state insurance regulators raise the urgency of extending enhanced premium tax credits with their state congressional delegations by providing granular data on state insurance market impacts. She said subsidized ACA Exchange enrollment doubled between 2020 and 2024, increasing 109% to 19.3 million people in 2024, particularly among low-income populations. Hyde said if ePTCs are allowed to expire, the Congressional Budget Office (CBO) estimates a $21 billion reduction in federal expenditures. She said the Commonwealth Fund estimates a $26.1 billion loss in federal tax credits across individuals and entities in 2026 alone. Hyde said estimates include a $34.1 billion reduction in gross domestic product (GDP), $57 billion in reduced economic output, 286,000 job losses nationwide, and $2.1 billion in lost state and local tax revenues. She said the CBO estimates that 5.6 million people will lose access to subsidized coverage in the year following the expiration, contributing to a rise in the uninsured rate.

Hyde said according to healthcare.gov, every marketplace will be impacted with higher costs as premiums are expected to double in at least 12 states. She said the NAIC sent a letter to Congress a few months ago urging an extension and dozens of stakeholders have publicly urged Congress to include this extension in funding bills. Hyde said because the 2026 rate review is underway in many states, she suggested that state insurance regulators: 1) raise the urgency of this issue with their Congressional delegations; 2) share granular data about their Exchange markets and the projected impact of letting extending enhanced premium tax credits expire; 3) develop fact sheets with actuarially-based projections; and 4) prepare consumer information strategies about transitioning to other forms of insurance if ePTCs are not extended.

Turner said the big actions on Capitol Hill are: 1) the Senate proposals for a $1 billion cut and, from the House Budget Resolution, an $880 billion cut in federal funding for state Medicaid programs, which would affect block grants, per capita caps, 2) the Federal Medical Assistance Percentage (FMAP), work requirements, and 3) state financing restrictions. He explained the potential impact of proposed cuts to Medicaid, including the shift of billions of dollars of cuts onto states, loss of coverage for vulnerable populations, and destabilization of private insurance markets. Turner said billions of dollars of health care costs would be shifted onto states, and millions would be expected to lose health care coverage, including children with complex medical conditions, family caregivers, and those with disabilities and chronic conditions. He said the huge influx of uninsured would destabilize state insurance markets, premium increases would result in instability and uncertainty, damage to state credit ratings, cuts in local revenue for school districts and sheriff departments, increases in uncompensated care and medical debt, and closures of rural hospitals, causing reductions in the health care workforce. Turner urged insurance commissioners to meet with congressional delegations, governors, and state legislators to discuss the potential impacts of proposed Medicaid cuts on state health care infrastructure and to be prepared to provide consumer assistance to people who lose coverage. Turner said there are reconciliation bills pending in both the House and Senate. He said over 30 patient groups have sent letters to Congress urging them to protect Medicaid from funding cuts in reconciliation and to follow up on the progress of those letters. Turner said comments highlighting the potential harms to consumers on the proposed U.S. Centers for Medicare and Medicaid Services (CMS) rule regarding marketplace coverage are required to be filed by April 11, 2025.

Commissioner Lara said Californians are offered Medicare or expanded Medicaid regardless of their immigration status. Now that budgets are tightening and immigrants are being scapegoated, he asked Turner if any national studies had been done that compare the benefits of providing undocumented people with full-scope coverage to those receiving coverage in emergency rooms, which cost states more money. Commissioner Lara said he is working to protect these budget allocations by quantifying the savings of covering someone versus letting them go uninsured and ending up in emergency rooms for limited care at a much higher cost. He said collaborating with researchers or universities that had already done such studies specifically pinpointing California's costs would be his preference. Turner said it was a great idea and that he would research the issue but felt that the states that have refused to expand the Medicaid program offer the best case-in-point study. He said millions of low-income people are going without the health care they need because they do not make enough to qualify for marketplace coverage. Turner said it is the people living in the coverage gap who have terrible health outcomes and are not able to keep jobs because they do not have a source of health care other than a free clinic or emergency services.

3. <u>Heard a Presentation from USofCare, LLS, and HCFA on the Impact of Health System Consolidation on Affordability and Access for Consumers</u>

Caitlin Westerson (United States of Care—USofCare), Lucy Culp (The Leukemia & Lymphoma Society—LLS), and Ashley Blackburn (Health Care for All—HCFA) discussed the impact of health system consolidation on consumer affordability and accessibility. Westerson said health care affordability is a top concern for people. She said USofCare's research shows that 51% of voters identified affordability as their top concern when they think about the health care system, and a Gallup poll from 2022 shows that almost four in 10 Americans reported they or a family member delayed medical treatment due to cost. In 2024, the poll noted that 48% of insured adults said they worry about affording their monthly health insurance premiums. Westerson said that when people identify affordability as an issue with their health care, they are often talking about their interaction with their insurance coverage, that their premiums or deductibles are too high, and that they are feeling the pressure of increasing costs for services that they are paying for out of pocket. She said hospital and physician services make up about half of the cost of health care and that the consolidation of these services and facilities is a key factor leading to higher premiums, higher deductibles, and higher out-of-pocket costs for consumers.

Westerson said consolidation is driven by the desire for market power so proponents of consolidation will often claim efficiencies and greater coordination of patient care, but there is a growing body of evidence that suggests consolidation increases prices and harms consumers without yielding any meaningful benefits for patients. Consolidation raises provider prices through the capture of market power, so as providers consolidate, they amass more power over the local market, which puts providers in a better bargaining position to negotiate higher reimbursement rates with carriers who are often forced to accept those higher reimbursement rates, especially in heavily consolidated areas, because they would fail to meet network adequacy requirements otherwise. This cycle increases market concentration, leads to anti-competitive behavior, increases prices, and weakens smaller, independent providers who then run to the larger systems to survive. Westerson said most markets today are highly concentrated, with the system being dominated by a handful of mega health care systems, so the negative impacts of consolidation are increasing. She said federal antitrust enforcement is blind to a lot of these transactions because they are often too small in dollar value to be reported under federal thresholds, which in 2025 is $125 million. As a result, she said more providers are becoming affiliated with large health care systems, particularly in certain physician specialties like oncology or cardiology.

Culp said consolidation leads to rising prices and less choice for consumers. She said it reduces access to care, as hospitals typically eliminate services and see fewer low-income patients after being acquired. It increases prices and costs as consolidation reduces marketplace competition and increases spending while driving up out-of-pocket costs for consumers and increasing premiums, and evidence shows it provides no clear improvement in quality with some studies indicating lower quality outcomes, despite provider claims to the contrary. First, consolidation leads to a reduction in access to care, particularly in rural areas. Two studies that examined the impact of rural hospitals joining larger health systems found that post-merger, rural hospitals were more likely to eliminate or reduce the availability of certain service lines, in particular primary care. There was also a reduction in utilization of inpatient mental health services, among other things, and she said it is important to note that vulnerable populations were more likely to feel the impact of consolidation. The shuttering of independent and community hospitals has disproportionately reduced access to services for residents of rural areas and for those in high-density urban neighborhoods.

Culp said the research uniformly showed that hospital mergers lead to higher prices. She said a study commissioned by the Indiana Legislative Services Agency found that prices at the 22 Indiana hospitals that had participated in merger activity were 13% higher than the 18 hospitals that had not. Another study indicated that communities with the highest level of hospital market consolidation were found to have annual marketplace premiums that were 5% higher. She said consumers are facing increased facility fees as doctor's offices and clinics become outpatient hospital settings and higher out-of-pocket costs as employers opt for less generous or high-deductible plans to control premium costs. She said that, unfortunately, what the research does not show is a correlating increase in quality. It cannot be said that prices are going up, and care is getting better.

There are many studies showing a reduction in quality, lower patient satisfaction, and an increased readmission rate. In one study that LLS commissioned with Wakely, researchers looked at the impact of site-neutral policies that are being considered in Medicare, essentially that payers could pay the same price for the same services that can and are performed safely and effectively in an outpatient setting. She said LLS highlighted the reduction in access to care, higher prices, and the lack of any correlating increase in quality with examples from Massachusetts. Then, LLS suggested state insurance regulators intervene to address consolidation by implementing policies that would prevent harmful consolidation, promote competition, and limit prices to improve affordability. Culp said site-neutral reforms could result in significant out-of-pocket savings for patients. She said a multiple sclerosis patient could save $170 a year, a chronic obstructive pulmonary disease patient could save $218 a year, and a multiple myeloma patient with blood cancer could save $665 a year. A similar study conducted by the Health Care Cost Institute (HCCI) found that facility fees charged at outpatient settings that used to be in clinics or doctor's offices were increasing costs by around $70 for an office visit or as much as $650 for a biopsy.

Blackburn said the recent collapse of the Stewart Health Care system, once the largest for-profit hospital chain in the United States, is an example of the impact of provider consolidation on consumers. She said Stewart entered the Massachusetts market in the late 2000s after acquiring Caritas Christi Health Care, the second largest health care system in New England, serving over one million patients each year. Blackburn said joining the two systems was seen as a last resort to keep them from closing, as both were facing financial struggles, outdated infrastructure, and pressure from an increasingly consolidated market with better-funded systems. Stewart promised financial investment and operational stability. Instead, Stewart's executives took financial risks that it could not survive by expanding aggressively and acquiring hospitals outside of Massachusetts to finance this growth. Stewart sold the hospitals' properties and entered into sale-leaseback agreements, burdening it with high rental costs. Blackburn said Stewart cut corners that impacted care delivery and patient volume, which led to Stewart filing for bankruptcy in 2024.

The Massachusetts state government implemented a series of financial interventions to stabilize hospital operations in five of the hospitals that Stewart operated to help facilitate ownership transfer; however, operations at Carney Hospital in Dorchester and Neshoba Valley Medical Center in Ayer shut down after no qualified bids were received during the bankruptcy proceedings. Recognizing that there would be a profound impact on patients, especially the communities with hospitals closing, the Massachusetts Department of Public Health and the Boston Public Health Commission partnered with the Health Care Financing Administration (HCFA), local community, and faith-based organizations to help those communities transition and advocate for their needs based on their unique locations, patient population, and other factors. She said the top concerns were access to an emergency room, access to primary care, and the economic impact of the closures.

Canvassers spent six months talking to patients and helping them navigate the effects of the closures. One of the patients who canvassers talked to said his renters worked for Carney Hospital and lost their jobs when it closed, so they were unable to pay their rent. One patient credited the Neshoba Valley emergency room with saving his son's life during anaphylactic shock and said without Neshoba, he does not know if he would have the same result today because the next closest emergency room is over 15 miles away. Another patient revealed that after being shot, they had been taken to Carney Hospital to be stabilized before going to Boston Medical Center 10 miles north. They believed that stopping at Carney Hospital first saved their life because of how much blood they were losing. Ten miles might not seem like a lot, but trying to travel 10 miles in Boston's rush hour will feel more like 30 miles during an emergency. She said these communities are a small sample of those who are just now learning how to navigate this journey after these systems shut down. These shutdowns will have a long-lasting impact not only on these communities but also on the broader health care market in Massachusetts for years to come.

Westerson said state policymakers have three buckets of tools to address consolidation and rising prices: 1) prevent harmful consolidations from happening in the first place by establishing greater authority to review and approve proposed health care transactions by state-regulated entities; 2) promote healthy competition by supplementing federal antitrust laws to establish more visibility into ownership transparency and eliminate non-compete contract terms between providers and carriers; and 3) limit prices to improve affordability and decrease the incentive to consolidate by establishing limitations on where and when facility fees may be charged.

Commissioner Humphreys said Pennsylvania has integrated delivery systems where insurance companies and hospital systems own one another, regardless of which one is larger. He said they review competitive conditions even when the hospital system is the larger, more dominant player in the group, like Geisinger Health System, which owns a couple of smaller insurance companies. Because of this, the state was able to review the change in ownership of the insurance company when Kaiser Permanente purchased Geisinger and put competitive provisions into the contract prior to approving it to ensure the market continued to be as competitive after the sale as it was before. He said this also was the case during a disagreement between the University of Pittsburgh Medical Center (UPMC) and Highmark Insurance, its dominant Western Pennsylvania health system and carrier. Commissioner Humphreys said Pennsylvania has a high mark order he is willing to share that was updated last year by working with Compass Lexecon to look at the competitiveness of the Western Pennsylvania marketplace. The study found that the insurance market had become more competitive, and that the health care market remained at least as competitive, due to local conditions. When two dominant systems exist, they tend to either collude or compete, and in their case, they are incredibly competitive with one another. Commissioner Humphreys said he really appreciated the commentary on the role of the insurance commissioner as being part of the broader holding company system, as some may have insurers that are part of a similar system.

4. <u>Heard a Presentation from CFA on Homeowners Insurance Premiums and Their Impact on American Homeowners</u>

Michael DeLong (Consumer Federation of America—CFA) presented a preview of a research report that he and colleagues Sharon Cornelissen, PhD, Douglas Heller, and Ethan Weilandon at CFA wrote on the rising cost of homeowners insurance premiums from 2021 to 2024. He said the research report will be released in April and is entitled, "Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and Its Impacts on American Homeowners." DeLong said the report highlights the significant increases in premiums across the country, the impact on consumers, and policy recommendations to address the issue, such as improving data collection by conducting annual data calls and making the 2024 NAIC data call public. The research also supports the need for ongoing and regular data collection by the NAIC.

DeLong said the following questions led the research: 1) How much more are homeowners paying for their homeowners insurance premiums in 2024 compared to 2021? 2) How do insurance premium increases vary across the U.S.? 3) In what regions, states, and cities have homeowners faced the most severe hikes? He said that many media outlets, including the *Wall Street Journal* and *The New York Times*, have done their own analysis and that the Federal Insurance Office (FIO) recently used the NAIC's data call for valuable information about homeowners' insurance premiums up through 2022 in its report. However, DeLong said they felt it was important to examine the last few years to get a good picture of the current crisis, which has escalated significantly since 2022. To look at rate changes in the market, he said they used data from Quadrant Information Services, which provides updated rates and algorithms to many property casualty insurance companies. DeLong said this data consisted of test quotes for December 2021 and August 2024 from six of the largest insurance companies in each state for homeowners' insurance premiums for every ZIP code in the United States, except Wyoming. He said the quotes were based on a mid-tier FICO consumer credit score of 740 and a $350,000 replacement value for most of the analysis. To identify state and local averages, DeLong said they also used company premiums weighted by the market share and the number of homeowners in each ZIP code. He said they also supplemented the quadrant data with data from other sources, including the number of homeowners in each ZIP code from the 2020 census.

DeLong said the key findings were that premiums went up in 95% of the ZIP codes. From 2021 to 2024, the average homeowners' insurance premium increased by $648, a 24% increase or almost double the 13% increase in inflation over the same time. He said some states saw exceptionally large increases, with a 59% increase in Utah, 50% in Illinois, 48% in Arizona, and 44% in Pennsylvania. Florida was the most expensive, with an average premium of $9,462 annually for the test consumer. DeLong said Americans paid an estimated $21 billion more for standard homeowners insurance coverage in 2024 compared with 2021. He said the only states that saw premium decreases were Mississippi and West Virginia; however, in both states, some companies raised rates while others lowered rates.

DeLong said one of the biggest takeaways was that while states exposed to hurricanes and wildfires get the most attention in the news, inland states impacted by other weather events like severe thunderstorms, hailstorms, tornadoes, and severe freezes have seen some of the biggest premium increases. This is an especially big problem for states with lower incomes.

DeLong said the research also considered that it costs more to rebuild homes in states with higher living costs, like California and Virginia, so homeowners there usually buy insurance coverage for higher replacement values. He said in states with lower costs of living, like Kentucky and Arkansas, homeowners tend to buy coverage with lower coverage limits, so they adjusted the findings for state-level differences in the replacement value. DeLong said they compared premiums for an insurance policy with $250,000 in replacement value to those with $350,000 or $450,000, respectively, depending on the coverage in each state, and Arizona, Illinois, Pennsylvania, and Utah remain the states with the largest percentage increases in premiums. He said there were variations, as Louisiana and North Dakota had a larger rise in premiums under this analysis, but the overall data stands. Zooming in to the city level, DeLong said Salt Lake City saw a 62% increase in premiums, and New Orleans saw a 58% increase in premiums, which lines up with the results for Utah and Louisiana.

He said homeowners in rural areas are equally hard hit by rising costs, with an overall 25% increase from 2021 to 2024. Sixty-eight percent of ZIP codes saw premium increases over 15%, and 32% of ZIP codes saw premium increases over 30%. DeLong said rising costs are also placing additional burdens on would-be homebuyers, as homeowners' insurance premiums are significantly outpacing inflation. Policy recommendations include: 1) improve data collection by holding annual data calls; 2) make the NAIC's 2024 data call public; 3) adopt a Home Mortgage Disclosure Act (HMDA)-style approach to data collection; 4) increase public funding and enshrine premium discounts for risk mitigation efforts; 5) strengthen regulatory oversight of rates and underwriting practices; 6) create a national public reinsurance facility; 7) fund the creation of public catastrophe models; 8) improve coverage offerings and pricing of state-level public insurance alternatives; 9) hold stakeholder conversations about land use policy, building safety, and climate resilience; and 10) hold insurers accountable for investing and underwriting fossil fuel projects.

Commissioner Lara asked DeLong if the study had looked at how the banks or other lenders are being impacted by providing loans for homes in locations where they should not be built. DeLong said this study was the first in a series and that future reports would address this question with help from states. Commissioner Lara said he would like to see a study on the domino effect of not having affordable homeowners' coverage and its impact on the sale, viability, and cost of the home. A home that cannot be sold due to the cost or lack of homeowners insurance leads to the loss of real estate or property taxes that the local community needs to pay firefighters to protect that community. Commissioner Lara said he has seen it start to happen in California and said it would be interesting to see further research on how that would further impact the accessibility and affordability of coverage in certain communities.

Commissioner Stolfi said he looks forward to seeing this report and digging into the numbers, but he said one could certainly argue that there is no difference between homeowners' coverage being unaffordable versus not being offered or not meeting the underwriting criteria. As a policymaker, he said he is very keyed into the availability of homeowners insurance coverage and is curious if the study looked at that side of the equation as well—whether that is looking at uninsured rates and how those have moved over the years or just looking at how costs have gone up, how enrollment in Fair Access to Insurance Requirements (FAIR) plans have gone up, or how enrollment in the non-standard market may have changed. DeLong said CFA did a report last year called, "Who lacks homeowners' insurance," and it hopes to conduct reports more regularly, as well as conduct an in-depth dive on the residual markets, but he said CFA has only four people while insurance regulators have a lot more staff and expertise, so he hopes that states can work with CFA on future reports.

Commissioner Navarro said he really appreciated the report and asked if it could be sent to him and when it would be complete. He said he was happy with where his state came out, but thought consumers in his state would say that premiums are higher than the data shows. He hopes CFA's numbers are accurate, but he believes premiums are higher. He asked DeLong if the inflation rate between 2021 and 2024 was 13%. DeLong said that is correct, and the report is being released on April 1, 2025, and that he will share it, along with other data, with all states.

5. <u>Heard a Presentation from UP on Key Takeaways from Los Angeles Insurance Challenges</u>

Amy Bach (United Policyholders—UP) and Kenneth S. Klein (Individual Consumer Advocate) discussed insurance problems in Los Angeles following the recent wildfires. Klein said maps of Los Angeles (LA) before and after the wildfires show most homes were destroyed or had little to no damage. Bach called out the California Department of Insurance (DOI) as a model of how they responded to the LA wildfires. She said UP has had tables set up at the disaster recovery centers (DRCs), but the DOI was on duty there for many more hours than UP. Bach said they are reviewing policies, have had workshops, and have been out there with a dispute resolution mediation program that holds some promise on smoke damage claims.

To compliment Klein's important work on underinsurance, she said underinsurance has been a phenomenon that her organization has been grappling with since UP started as an organization in 1991. She said it is still a fundamental problem. Bach said what they are looking at right now in the aftermath of the LA fires are the usual things like adjuster communication problems, disputes over underinsurance being tied to software that does not have realistic local pricing in it for setting limits on the point of sale, and the settlement offers from the adjusters. UP suggests potential solutions to address underinsurance and improve the insurance process such as collaborating with data scientists to triangulate public data to identify underinsured or uninsured individuals for targeted assistance.

Bach said one concern is tariffs, which are driving up the costs of construction materials and worsening the problem. She said huge progress has been made with the California DOI bringing resources to address disputes before they escalate into litigation. However, Bach said that this is a difficult dynamic, as many people struggle to afford insurance in the first place. She expressed interest in the idea of the insurance industry returning to a value-based policy model, where consumers would know exactly what coverage they have up front, but she believes the industry is a long way from that happening.

Klein said the LA fire started on Jan. 7, and on Jan. 9, he received a data dump from Mike Peterson (CA) and Luciano Gobbo (CA) that described four years of 62,000 fire claims across the state, and he thanked them for that information. The data describes a sophisticated, concerned, informed group of insurance professionals that want full insurance coverage, are willing to pay for full insurance coverage, and think they have full insurance coverage, but more than two-thirds of them do not have full insurance coverage, and they are short of full coverage by a lot. Klein said this data should be horrifying, as consumers are not underinsured because they have chosen to be underinsured, are price sensitive, or cannot afford it. He said over 90% of consumers in the data had replacement cash value (RCV) coverage plus an extended replacement coverage (ERC) endorsement of 20% or more, demonstrating that want to be fully insured. Klein said it is not theoretical economics on price elasticity, moral hazard, or adverse selection. Ninety percent of consumers want to be fully insured, and they think they are fully insured and are willing to pay for it.

Klein said the issue is not because of a catastrophe or demand surge. The bottom line is that a policy's coverage A limit is set to account for potential demand surges and is priced accordingly. Additionally, nine out of 10 policies include a 20% or more extension of coverage A, and demand surge typically runs about 20%, so policyholders should be covered. However, in events like the Marshall fire, the LA fire, Florida hurricanes, and Midwest tornadoes, large numbers of people remain underinsured.

Klein said that the problem is not the catastrophe but the pricing estimates used by insurance agents, which are based on data from a claims-adjusting environment. These estimates often fall short of actual losses reported by insurance companies after the event, with the estimates being below the actual incurred loss 95% of the time, on average by 50%. This discrepancy occurs because the cost-containment tools used in claims adjusting, which rely on expertise, details, and negotiations, have been shifted to a point-of-sale setting where such resources are absent, resulting in artificially low pricing.

Klein said the underinsurance statistics are understated. A study by Federal Reserve Bank economists indicates that homeowners are underpaid by their insurers 40% of the time, which means the true extent of underinsurance is masked and suppressed. He said most homeowners' policies contain language stating that the reconstruction amount is an estimate, and if the coverage seems inadequate, the homeowner should contact the insurer. However, based on that language, insurers often win because homeowners are presumed to have read and understood their policies, despite research done by Brenda Cude and others showing that this is not the case. He said that this issue is likely to result in costly and unsatisfactory litigation, particularly in places like LA.

Klein suggested that states wanting to avoid the same issues seen in LA should make their data public-facing and allow the market to respond. This would lead to lawsuits gaining traction, premiums increasing, and market behaviors changing. He said another way would be to follow Colorado's lead by passing a law requiring homeowners' policies to 1) be RCV policies, 2) offer a 50% ERC endorsement, 3) prominently disclose this option, and 4) clearly explain why homeowners should consider it. Klein said if his data is accurate, this would solve many problems.

He said a third way would be a combination of the first two methods. Klein emphasized the need to break the cycle of underinsurance, followed by litigation, followed by ineffective reform, which leads to more underinsurance and litigation. He said he would share the draft of his study and solution publicly when asked. Klein said Federal Reserve economists have recently published a paper, recognizing that when homes are underinsured, they are less likely to be rebuilt and more likely to have their loans paid off. This situation would be detrimental to the banking system, so the Federal Reserve is closely examining how to ensure insurance adequacy to protect their profit stream from interest.

Commissioner Lara said an ongoing effort by California is to assemble a group of data scientists to help California analyze public data and strategically allocate funds to individuals who are underinsured or uninsured. He asked if there was a way for California to use public data to identify these individuals effectively. He said the DOI can determine who is insured, but it currently lacks insight into who is underinsured or entirely uninsured. The goal is to ensure that the resources raised are directed toward those who need it most, helping them rebuild or make difficult financial decisions. Klein said this issue is solvable and that the necessary data can be modeled and made accessible.

6. <u>Heard a Presentation from LILAC and a Consumer Advocate on Consumers Needing Help Finding Insurance Advisors</u>

Richard M. Weber (Life Insurance Consumer Advocacy Center—LICAC) and Harry Ting (Individual Health Care Consumer Advocate) emphasized the importance of helping consumers find insurance advisors. Weber noted the connection between the last three presentations, emphasizing the challenges policyholders have faced around the country over the past year. He mentioned the significant losses in Florida, Kentucky, and North Carolina from hurricanes, tornadoes, and flooding, as well as the recent fires in Los Angeles, with the *LA Times* estimating losses between $250 and $275 billion. Many fire victims and those affected by last year's hurricanes are having significant issues with claims and adjusters. Across locations such as Altadena, Florida, Kentucky, or North Carolina, Weber suggested it is likely that homeowners facing claim issues or lacking coverage did not have a relationship with a P/C broker to give them assistance and advice.

Weber also addressed ongoing issues in the health insurance market, including consumers having their marketplace or Medicare plan switched without their consent or knowledge, and unethical producers misleading consumers into purchasing shared health care ministry or short-term limited duration plans. Additionally, he highlighted the widespread problem of long-term care premium increases, where a licensed producer can provide invaluable advice to consumers on how to manage their coverage with those increases. Weber stressed the need for a consumer champion in various insurance sectors, particularly handling homeowners claims after climate disasters, negotiating contested automobile claims, navigating unaffordable long-term premium increases, and understanding complex life insurance policies. Consumers need help finding advisors, such as agents, brokers, producers, navigators, assistants, or State Health Insurance Assistance Program (SHIP) counselors, who can educate consumers about policy options, help them find the best fit, assist with applications and underwriting, and especially help with claims and advocate for them in claim disputes, especially among millennials. Studies show more consumers are looking to the web for answers and even to buy insurance products completely online, forgoing agents and brokers altogether.

Reflecting on his 58 years as a licensed life and health insurance producer, Weber reaffirmed the vital role ethical and knowledgeable insurance advisors play in helping consumers achieve favorable outcomes in property, health, and life insurance matters.

Weber said the Financial Industry Regulatory Authority (FINRA) oversees broker-dealers and their securities brokers and investment advisors. He said they proposed the creation of a national NAIC portal to help consumers find advisors, which would include information on recent serious disciplinary actions involving navigators and SHIP counselors. Weber said FINRA provides its brokercheck.finra.org resource to help consumers locate and potentially connect with licensed individuals and firms. The information available includes license categories, employment history, industry exam qualifications, product exam qualifications, and regulatory actions. Users can search by name or location, with results displaying three key panels: 1) the licensee's name, central registration depository (CRD) number, and licensure categories (securities and/or registered investment advisor); 2) a summary report of broker qualifications, licenses held, and prior affiliations; and 3) disclosure events, including customer complaints, arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings. Weber emphasized that all individuals registered to sell securities or provide investment advice must disclose these events, reinforcing the importance of transparency in the industry.

Ting said like Broker Check, a national website is needed to help consumers choose insurance advisors. He said such a website should allow consumers to search for producers by location and name. Because consumers often do not know the names of producers, submitting a search is not possible on many state websites. He said it should also include information on appointments, qualifications, and experience of producers. It should also use consumer-friendly terminology, avoiding terms that most consumers do not understand, such as producer, resident and non-resident agent, P/C, and fixed and variable life annuities. He said a national website should prominently provide information on SHIP counselors who would help with Medicare products as well as navigators and assisters to help with marketplace plans.

Ting said in his state, and most others, SHIP counselors are a best-kept secret, and there is no way for consumers to find out what producers are certified to sell Medicare products in their state. Finally, he said a national website should include cross-state information on serious producer disciplinary actions. Ting said all advice on choosing a producer, including the advice on any website, says to check for a producer's past misconduct before selecting an agent or a broker. He said, unfortunately, that is difficult in many states, as state websites only show the actions that have been taken within that state. Ting said the NAIC is clearly the organization that should create a national website, as it has the most comprehensive information on insurance producers at the national level, and that information includes data on disciplinary actions taken across all states.

Ting said using the Regulatory Information Retrieval System (RIRS) codes, the NAIC can decide what disciplinary actions are serious enough to disclose, and alternatively, it might specify where it has no record of certain types of disciplinary actions for individual producers. He said the NAIC is a logical sponsor of such a site because it is also a key player in the fight against insurance fraud. Finally, Ting said the NAIC also provides guidance on this subject on its website, and educating consumers is critical to making this website useful.

Ting said they are asking the NAIC to 1) provide a portal to help consumers find advisors for individual insurance policies; 2) include information on navigators and assisters and SHIP counselors; 3) incorporate advice on interview questions and advisor selection; and 4) include information on recent serious disciplinary actions. Ting said it would be up to the NAIC to decide which disciplinary actions to include. As a SHIP counselor, he said he sees consumers every week who do not understand their insurance options, and written documents are not helpful. In these cases, having an ethical, knowledgeable advisor is indispensable. He said if anyone is interested in helping consumers find policies that best meet their needs and protect them from unethical producers, then they should support the creation of a national NAIC portal to help consumers find advisors. Ting said taking this action is an excellent way to help and protect consumers at the national level without having to resort to federal government intervention.

Having no further business, the NAIC/Consumer Liaison Committee adjourned.

SharePoint/NAIC Support Staff Hub/Committees/Consumer Cmte/Consumer_2025 Spring/Consumer Liaison Cmte_2025 SpNM Minutes